

Foundations of a Welfare Regime

The Case of Indonesia

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Abstract

Indonesia is at a crossroads in building its welfare regime. The study seeks to analyse the salient characteristics and enabling factors that influence Indonesia's current social policies in light of welfare state theories. The adoption of the Social Security Providers Law in late 2011 underlined the government's commitment to establishing a universal health insurance system by 2014, implying a stronger role of the state in welfare provisions. Various actors have contributed to the adoption, from political elites to a growing labour movement. At the same time, these developments are running in parallel with expansions for targeted social assistance to the poor by both national and local governments. Based on the findings, this study argues that the Indonesian welfare regime is currently made up of a hybrid of characteristics arising from the three ideal types of welfare states coined by Esping-Andersen (1990), namely liberal, conservative, and social democratic. These characteristics include the continued strong role of families, the increased role of the state, planned universal healthcare, and dominant means-testing policies for the poor. The study also finds a marked increase in mass-based welfare policies within politics, in contrast to the period under Suharto's governance.

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Abbreviations

ADB: Asian Development Bank

Apindo: Indonesian Employers' Association (*Asosiasi Pengusaha Indonesia*)

Askesos: Social Welfare Insurance (*Asuransi Kesejahteraan Sosial*)

Bappenas: National Development Planning Agency (*Badan Perencanaan dan Pembangunan Nasional*)

BKKBN: National Population and Family Planning Board (*Badan Kependudukan dan Keluarga Berencana Nasional*)

BLT: Unconditional Cash Transfer Programme (*Bantuan Langsung Tunai*)

BPS: Statistics Indonesia (*Badan Pusat Statistik*), the central statistics agency

BPJS: Social Security Providers (*Badan Penyelenggara Jaminan Sosial*)

BPJS I: Health Insurance Provider (*BPJS Kesehatan*)

BPJS II: Worker Social Security Provider (*BPJS Ketenagakerjaan*)

BOS: School Block Grant Assistance (*Bantuan Operasional Sekolah*)

BUMN: Badan Usaha Milik Negara (*State-Owned Enterprise*)

DPA: Supreme Advisory Council (*Dewan Pertimbangan Agung*)

DPR: People's Representative Council (*Dewan Perwakilan Rakyat*)

FBSI: All-Indonesia Labour Federation (*Federasi Buruh Seluruh Indonesia*)

GDP: Gross Domestic Product

Golkar: Functional Group (*Golongan Karya*)

ICW: Indonesian Corruption Watch

ILO: International Labour Organisation

JPS: Social Safety Net Programme (*Jaring Pengaman Sosial*)

JPS-BK: Social Safety Net – Health Assistance (*Jaring Pengaman Sosial – Bantuan Kesehatan*)

JSLU: Cash Transfer to the Elderly (*Jaminan Sosial Lanjut Usia*)

KAJS: Social Security Coalition (*Komite Aksi Jaminan Sosial*)

KUR: Credit Assistance for the People (*Kredit Usaha Rakyat*)

KSBSI: Confederation of Indonesian Prosperous Trade Union (*Konfederasi Serikat Buruh Sejahtera Indonesia*)

KSPI: Congress of Indonesian Trade Union (*Kongres Serikat Pekerja Indonesia*)

KSPSI: Confederation of All-Indonesia Worker's Union (*Konfederasi Serikat Pekerja Seluruh Indonesia*)

Jamkesmas: Healthcare for the Poor (*Jaminan Kesehatan Masyarakat*)

LKS: Cooperation Platform (*Lembaga Kerja Sama*)

MoH: Ministry of Health

MoMT: Ministry of Manpower and Transmigration

MONE: Ministry of National Education

MPBI: Indonesian Workers' Labour Council (*Majelis Pekerja Buruh Indonesia*)

MPR: People's Consultative Assembly (*Majelis Permusyawaratan Rakyat*)

MP3KI: Masterplan for the Acceleration and Expansion of Poverty Reduction in Indonesia (*Masterplan Percepatan dan Perluasan Pengurangan Kemiskinan Indonesia*)

NSSS: National Social Security System

NGO: Non-governmental organisation

NU: Nahdatul Ulama

OECD: Organisation for Economic and Co-operation Development

Ormas: Social organisation (*Organisasi Masyarakat*)

PD: Democratic Party (*Partai Demokrat*)

PDI-P: Indonesian Democratic Party - Struggle (*Partai Demokrasi Indonesia- Perjuangan*)

PKH: Family of Hope Programme – Conditional Cash Transfer Programme (*Programme Keluarga Harapan*)

PNPM: National Programme For Community Empowerment (*Programme Nasional Pemberdayaan Mandiri*)

PT. Askes: Civil Servant Health Insurance State-owned Enterprise (*Asuransi Kesehatan*)

PT. Asabri: Armed Forces Social Insurance Plan State-owned Enterprise (*Asuransi Sosial Angkatan Bersenjata*)

PT. Jamsostek: Workers Social Security Programme State-owned Enterprise (*Jaminan Sosial Tenaga Kerja*)

PT. Taspen: Civil Servant Pension Fund State-owned Enterprise (*Tabungan dan Asuransi Pensiun*)

PPP: United Development Party (*Partai Persatuan Pembangunan*)

Raskin: Subsidised Rice Programme for the Poor (*Beras untuk Keluarga Miskin*)

RPJM: Medium-term National Development Plan (*Rencana Pembangunan Jangka Menengah*)

SJSN: National Social Security System (*Sistem Jaminan Sosial Nasional*), see NSSS

SPN: National Workers' Union (*Serikat Pekerja Nasional*)

SPSI: All-Indonesia Workers' Union (*Serikat Pekerja Seluruh Indonesia*)

SOE: State Owned Enterprise, see BUMN

TNP2K: National Team for Accelerating Poverty Reduction (*Tim Nasional Percepatan Penanggulangan Kemiskinan*)

UNESCO: United Nations Educational, Scientific and Cultural Organization

UNRISD: United Nations Research Institute for Social Development

UUD: The Constitution of Indonesia (*Undang-Undang Dasar*)

1. Introduction

A central issue in social development often relates to how countries take care of the least advantaged within a society. In the developing context in particular, much focus is given to providing assistance to the poor. Poverty reduction is often at the top of the agenda in developing countries and various measures have been adopted to target the poor. Though the targeted approach aims to improve the welfare of those in poverty, it often fails to address the social structures and interactions that may hinder attempts to overcome poverty and reinforces unequal economic development.

The flagship report entitled “Combating Poverty and Inequality”, headed by the UNRISD in 2010, marks a relatively new paradigm in challenging targeted social assistance for the poor. It is argued that targeted social assistance is “unlikely to make significant and sustained inroads into poverty, as it may fail to build support among middle-income groups that are needed for funding and providing good quality services, and may condemn the poor to inadequate services” (2010: 5). Thus, improving welfare for the poor entails a much more comprehensive approach towards inclusive development. This often calls for a framework that incorporates structural change, redistributive policies and employment-centred development. This approach is strongly advocated as a means of addressing the issue of poverty, while complementing economic growth.

Studies on welfare regimes have a long tradition of focusing on the synergies of industrialisation and the power structures influencing the types of welfare-enhancing policies that are adopted. Unfortunately, there is a relatively limited amount of scholarly research on welfare states in the context of less-developed countries in comparison to those relating to advanced economies. Although it can be argued that state capacity within developing countries is much more limited compared to that in advanced economies, it is nevertheless important to capture the foundations which welfare policies are being built upon in the developing context. This is particularly important if one accepts that welfare policies adopted today may have an extensive impact not only on welfare outcomes in the future, but also welfare politics.

Recent advances in several developing countries demonstrate the state's increasing role in the provision of inclusive welfare. In Asia, for example, coverage of state-based health insurance has been increasing in countries such as in China and India (The Economist, 2012b). This progress is particularly interesting, as such trends are also affecting developing countries, in which welfare state traditions have arguably not been strong. But what kinds of changes are actually occurring, and why has there been an expansion of state-based provision? This study seeks to answer this question by taking up a case study on the Indonesian experience. The Indonesian case study is considered to be as a case study in understanding the welfare state expansion in developing countries.

Indonesia, which has a population of more than 243 million (BPS, 2012: 11), is at a crucial point in developing a more inclusive social policy. In 2011, the Indonesian parliament passed a law pledging to provide universal healthcare for all citizens by 1 January 2014. This change is arguably quite unexpected and signifies a different approach towards how welfare has been distributed in the past. The planned social security system ultimately differs from past practices, as social protection will now be organised under public agencies called *Badan Penyelenggara Jaminan Sosial* (BPJS) (hereon referred to as Social Security Providers). The social security system aims to provide a wider coverage of provision, wherein all citizens, poor and rich, will participate, indicating a fundamental change in Indonesia's approach to welfare.

This research seeks to study the Indonesian welfare regime and analyse the direction of Indonesian social policies by highlighting the salient characteristics of the welfare policies and the enabling factors leading such policy arrangements. As there has been relatively limited research on Indonesia's current welfare regime, this study aims to characterise the Indonesian welfare regime in the light of welfare state types, as developed by Esping-Andersen (1990). The study will primarily analyse developments in social policies since 1998, namely after the Asian financial crisis and the democratisation of Indonesia. Though Esping-Andersen's analysis focuses mostly on welfare policies regarding employment and social security, studies on the Asian welfare regime show a common focus on education and health policies. In addition, the strong focus on anti-poverty policies or target-based welfare policies has had a marked influence on many less-developed countries, including Indonesia.

The research is divided into several sections. In Chapter 2, the extant literature on welfare regimes is compiled and analysed. Chapter 3 presents a discussion on the general issues at hand, and the choice of case study is explained. This is followed by the general research framework, which discusses in detail the selected indicators of welfare characteristics, and possible contributing factors. Chapter 4 gives an overview of past legacies of welfare policies, and then conducts a discussion on the historical background of the social security reform to highlight the important actors and interests therein. Following this, the study's findings on social policies are presented in order to highlight the extent of commitments and the state capacity of welfare provisions within the Indonesian development context. Based on the empirical findings, the selected welfare characteristics are analysed in Chapter 5, and the influential political economy factors contributing to the choices of adopted welfare policies are discussed. Finally, Chapter 6 provides a summary of the research findings and identifies areas for further research.

2. Literature Review and Theoretical Analysis

In this chapter, an overview of theoretical approaches to welfare states will be given. The bulk of welfare state studies focuses on welfare regimes within OECD countries. Among the major question posed by scholars, as in this study, is why welfare states develop, and what explains the variation in terms of generosity regarding benefits. More recently, new research has also included analyses of social policies in the developing context, including settings such as Latin America and East Asia. These studies will also be discussed below, given the similarities in their political and development strategies in relation to Indonesia.

2.1 Political Economy Analysis of Welfare Regimes

A great deal of analysis has been conducted to understand the welfare state and the bases on which social policies are adopted, and the field is continuously advancing. The majority of these studies focus on a political economy analysis, wherein the phenomenon is understood in the context of the existing economic and political processes. To be more specific, a political economy approach focuses on the influence of status, class, and organisational groupings on a particular action in a society, wherein welfare literature is focused on distributional outcomes (Janoski and Hicks, 1994: 5). When studying welfare regimes, the state's structure and role in welfare provision for the public is a central concept in characterising the variation in welfare regimes. However, prior to Esping-Andersen's (1990) publication *The Three Worlds of Welfare Capitalism*, several approaches were dominant in explaining the welfare state, namely the structuralist approach, and the institutional and political-actor-centred approach.

2.2 Structuralist Approach

The structuralist approach relies on the assumption that a particular system will eventually bring about a particular outcome. In welfare literature, earlier studies relied greatly on industrialism theories on the trajectories of a welfare state. Various arguments are used to

explain welfare states in industrialised societies. One variant argues that industrialisation leads to a weakening of traditional social support systems, such as families and other traditions of agrarian societies (Kerr et al. 1960, as cited in Myles and Quadagno, 2002: 36). Such decreases in traditional support systems have meant that the state must serve as a substitute for them via a welfare function, particularly for those who are not wage earners, such as the sick, the young and the elderly.

Wilensky and Lebeaux argued that as an economy develops, a certain level of surplus will eventually be justifiably diverted away from production, and towards welfare (1958 as cited in Esping-Andersen, 1990: 14). The effectiveness of welfare states has been suggested to be dependent on the country's affluence; in other words, a strong welfare state is produced by strong economies (Pierson, 1996: 148). However, this argument still sees the welfare state as impeding market efficiencies, and is also known as the "logic of industrialism". Though the approach may explain the differences in social policies between richer and poorer economies, it is considered to be less effective in explaining the variations between advanced economies (ibid).

2.2.1 The institutions and actors approach

Where structuralist theorists focus on the role of industrialisation, institutionalist theories consider the power relations between the different actors. Among the most known institutionalist theories is that of Walter Korpi (1983b), who pointed out the importance of politics in determining a welfare state outcome. The "power resource theory" suggests that the outcome of distribution in capitalist democracies depends on class struggles and exchanges of relations (Korpi, 1983b: 85). In this theory, power or control over capitalistic resources holds a central role, not only because this power influences people's livelihoods, but also because it functions as a source of action (ibid: 79). Furthermore, in relation to power resources, individuals can work through collective action to promote the interests of labour, which may become organised into political parties (ibid: 80). The bargaining outcomes between the state, workers and capital owners are largely determined by the distribution of power and the political constellation in the bargaining processes itself (Korpi, 1983a: 13). Thus, the analysis implicates the vital roles of workers through trade unions and socialist political parties in the development of a welfare state (ibid: 88). The institutionalist

approach was highly influential in highlighting that politics have a large impact on developing the type of welfare states that different countries may adopt. Esping-Andersen (1990) later further developed this approach in systematising his three welfare states.

2.2.2 Welfare regimes

Of the earliest forms of welfare systems, there are two contrasting models in the Western world, which are often referred to in comparative social policies. These include the system established under Otto von Bismarck in Germany, and that formulated under the Beveridge system in the England (Briggs, 2000: 20- 24). The Bismarckian welfare regime was mainly modelled on a contributory social insurance system, wherein benefits are allocated to different professions and guilds (Bonoli, 1997: 356). Hence, this social insurance relies primarily on employer and employee contributions and benefits attached to earnings, while entitlement is conditional based on contribution record. In contrast, the Beveridgean social policy model is based on universal provision for residents, wherein benefits are typically equal and are funded through taxation (Bonoli, 1997: 357).

It is also important to understand that the Bismarckian regime was established to cater to the needs of workers, which were gaining power during the 1880s and posed a threat to the political stability. Hence, the system benefitted primarily those who already had access to the labour market (Bonoli: 358). In contrast, the Beveridgean social policy is considered much more inclusive. The Beveridge model was established after the Second World War, from the Beveridge report which recognised the need to address poverty and other social problems through social services. A centralised social security system was then established to extend health services and social security to the whole population (Midgley, 1995: 48). The two models are particularly important with respect to understanding the early welfare states, which adopt very contrasting concepts in terms of distributing benefits and financing social security systems.

Universal vs. residual

Richard Titmuss was among the earliest to classify welfare regimes. He emphasised the importance of the political and moral values that underline the social policy choices in a

country (1974: 23). Titmuss classified welfare regimes into three ideal types, each of which aims to create an order or systematise social policies in the economic and social spheres. The first model is known as the Residual Welfare model, wherein the main function of social policies is to temporarily aid people when individual needs cannot be met through the market or the family (ibid: 30). The second is the industrial achievement-performance model, wherein social needs are provided according to productivity and achievements (ibid: 31). Lastly, the institutional redistributive model – also known as the universal model – entails that welfare is well integrated in society through a holistic system of redistribution on the basis of social equality (ibid).

The Three Worlds of Welfare Capitalism

Amongst the most influential studies focusing on the importance of politics is Esping-Andersen's comparative analysis of 18 rich capitalist democracies in *The Three Worlds of Welfare Capitalism* (1990). Here, Esping-Andersen categorised countries beyond the amount of social spending undertaken by clustering the institutional arrangements that exist in providing welfare functions (Myles and Quadagno, 2002: 39). The analysis identified three types of welfare regimes, namely: liberal, conservative, and social democratic (Esping-Andersen: 1990: 26-33).

The “**liberal**” welfare regime is characterised by its relatively modest social-insurance plans and reliance on the market to subsidise private welfare schemes. The model is dominated by means-tested welfare schemes – that is, only people who fulfil a certain criteria may receive social benefits. Social assistance is only given to those of a low-income class, and often comes with a stigma. As a result, entitlements to welfare benefits are strict and create a class dualism between those who are state recipients, and the remaining majority. The rise of the liberal welfare state was in the context that the middle class had already met welfare demands from the market and that the rural class were already eroded. Hence, more state intervention was undesired. The United States, Canada and Australia are examples of countries that follow this regime.

The “**conservative**” welfare regime, on the other hand, has a much weaker liberal orientation and grants more social rights. The dominant feature of this model is rooted back to the goal of status and class preservation, and hence results in a form of welfare corporatism and

etatism. This regime, which has strong links with the Church, encourages traditional familyhood. For this reason, the state's role only comes in when the family's ability to support it has been exhausted. This welfare regime is argued to arise when unions were considered a threat. Instead conservative forces were salient actors and shaped a system to preserve middle-class loyalty. Countries such as Germany, Austria, and Italy are argued to be examples of a conservative welfare regime.

Finally, the smallest regime cluster, the **“social democratic”** regime, relies on granting social rights universally based on social solidarity. It is based on a welfare state that aims to promote equality and emancipation from the market and the traditional family. All classes benefit from social programmes, but at the same time everyone must also pay and contribute to the system. The welfare state was supported by incorporating middle class taste. The social democratic regime is argued to have arisen with a strong labour-farmer coalition. The welfare state had a clear goal to achieve full-employment in return with farm-price subsidies. Countries from Scandinavia dominate this type of welfare regime.

2.3 Determinants of Welfare States

In explaining the differences between the three regimes, Esping-Andersen emphasised the importance of the historical and political context: “The historical characteristics of states, especially the political class coalitions as the most decisive case of welfare state variations, have played a determinate role in forging the emergence of welfare-statism” (Esping-Andersen, 1990: 1). Esping-Andersen highlights the structure of the labour movement, through the concept of working class mobilisation, and the political coalitions formed as important starting points.

The working class mobilisation theory starts off by identifying what workers want, and whether this can be mobilised into welfare state outcomes (ibid: 108); however, the earliest welfare states were not actually formed on the basis of workers' demands alone. The theory is thus used to characterise the various needs of workers, such as income stability, social security, and protection against market forces that are beyond their control (ibid). In addition, the model emphasises the importance of how workers organise their collective actions, and their positions on social action (ibid: 109). Welfare regimes are also categorised based more

on the focus of political class coalition, that is parliamentary labour movements and the extent of power of left-wing parties. In the developing context, there is some debate as to whether the forces of globalisation have become an influential factor impeding governments' abilities to meet their welfare commitments (Rudra, 2002: 412).

There are also a number of arguments relating to whether trade unions have a significant role in newer democracies with free trade and the opening of markets. A general argument for the minimum role of trade unions in Indonesia relates to the large amount of workers in the agricultural and informal sector, which tend to be unorganised. At the same time, modern productions are characterised by large amounts of flexibility and fragmentation, which in essence hinders a unified workplace (Haggard and Kaufman, 2008: 259). In relation to social security, however, Beckman argued that there maybe a reinforced role of labour due to the fact that "capitalists do not always want to pay for infrastructure and social services", hence forming a tendency for more organised agreements with labour movement (as cited in Törnquist, 2004: 378).

Considering that Esping-Andersen's (1990) analyses focused on countries with quite different cultural and political developments, studies that consider developing countries may allow for a better contextuality of social development. A seminal work on comparative welfare policies concerning non-OECD countries was contributed by Stephan Haggard and Robert R. Kaufman (2008); this work primarily studies middle-income countries in Latin America, East Asia, and Eastern Europe. One of their main arguments is that social policies evolve in clusters that form into "identifiable complexes" (Haggard and Kaufman, 2008: 4), and they highlighted similarities within each region. In addition, the important determinants argued by Haggard and Kaufman to have a significant influence on the expansion of welfare policies include political realignment, development strategy, and path dependence.

In analysing Asian social policies, Haggard and Kaufman (2008) found that democracies with high growth trends show a wider range of expansion with respect to social security entitlements, but that this is not due to movements from the left, or labour movements. Instead, Haggard and Kaufman argued that all types of parties gain when making social policy commitments; hence, partisanship in general would not have effected the expansion (ibid: 4) of earlier welfare regimes. However, Haggard and Kaufman argued that welfare policies are often discontinued due to political realignments occurring after democratisation.

2.4 Welfare in the Developing Context

An important concern pertaining to social policies in the developing context is that relating to economic productivity and welfare schemes. The debate not only discusses the affordability of social security, but also the opportunity cost incurred in the allocation of resources. Opponents of state intervention in social provision, such as by neo-liberals, in general argue that the public resources are better off invested in efforts to pursue economic growth, where poverty can be eradicated by establishing new enterprise and creating mass employment (Hall and Midgley, 2004: 76-79) . Several of the arguments against social security are supported by the following assumptions: 1) social expenditure is considered to be mere consumption, rather than an investment; 2) reliance on the trickle-down effect means that economic growth automatically leads to poverty reduction; and 3) a trade-off occurs between social expenditure and economic growth, and hence redistributive policies may be detrimental to growth (Suharto, 2009: 4).

A recent analysis by *The Economist* (2012) of growing welfare states in the three biggest Asian countries – namely China, India, and Indonesia – sent a cautious reminder regarding the development of national welfare schemes. It argued that governments must be aware of the replacement of traditions of hard work with a regime of welfare dependency, which may weaken economic growth. However, the analysis did recognise the need to have some sort of social safety for the economy, as well as the need to cater to the poor. In particular, the article pointed out the need for systems to address future demographic problems, such as in India, which is one of the world's fastest-aging societies, and China, which predicts a drop in the worker-pensioner ratio by 2035. In terms of social provision, the article strongly underlined the fact that many current subsidies benefit the rich, rather than the poor (The Economist, 2012a: 9) .

One of the main concerns for using the welfare theories based on welfare regimes in OECD countries relates to the assumption that the working labour market can serve as a primary source of livelihood. In the developing context this may be far from reality, since many rely on the informal sector, and the bulk of the population still suffers from poverty. In terms of the debate on social security, scholars have put forth a range of views on the role of social policies in relation to poverty eradication. On one side, social policies may contribute to

poverty alleviation, such as through providing benefits to low-income groups and supplementing income during periods of illness; yet this may not only be aimed at those in poverty. However, many have challenged the idea that social security programmes are actually primarily intended for improving welfare and reducing poverty, suggesting instead that they are introduced for economic, political and cultural reasons (Tang and Midgley, 2010: 21). For example, Latin America's social security system was mainly introduced due to political factors in terms of responding to organised interest groups, rather than to respond to poverty issues (Tang and Midgley, 2010: 21).

Gough's (2000) analysis provides an insightful examination of the how ideal typologies of welfare regime can be applied in the developing context. Among the differing points of departure between welfare state ideals, such those developed by Esping-Andersen (1990), and social policies in developing countries, are the insignificant degree of de-commodification, the stronger influence of external factors such as the global economy, and the relatively small role of the state in welfare in the South. Yet Gough argued that Esping-Andersen's models can still be widely used in the developing context for two reasons. Firstly, welfare regime studies are usually concerned with the universal "welfare mix"; namely the combination of households, private sector, and the governments which interact in distributing welfare and livelihoods (Gough, 2000: 3). Secondly, a political economy approach enables one to study welfare institutions with regards to the "deep structures" of society, in view social policies in terms of power. In relation to the reliance on de-commodification as a welfare outcome, Gough reconceptualised the idea by incorporating welfare states to apply policies to relieve harmful life processes and also to invest in human development, for instance through education (Gough, 2004: 24-25). In essence, this allows for a broader understanding of de-commodification for less-developed countries. The concept of de-familiasation is also highlighted, wherein households adapt to the different welfare regimes. In Gough's analysis, focus is given to family life as shaped by the welfare mix, welfare outcomes, and effects of stratification (Gough, 2004: 26).

UNRISD's "Flagship Report on Poverty" (2010) highlights several findings of social policies in developing countries, which included country case studies. In the Indian case study, it was observed that social policies have been more or less abandoned, and that general economic development strategies have received much more attention. Reflecting from this, welfare policies in the South are argued to be conducted in a capitalist context, and growth

strategies show more of a tendency to lean towards asset-holders (Chibber, 2010: 179). However, the Indian case does underline some positive changes in terms of democratisation. With the deepening of democratisation, political equality is argued to have strengthened the ability to demand a bigger share in the economic pie, and also access for social protection. This trend displays a peaceful and gradual change to a less unequal society (Nagaraj, 2010: 12).

2.5 Overview of Welfare State Studies in East Asia and Southeast Asia

A growing number of studies have aimed to explain the social policies adopted in East Asian countries, particularly those with developed economies, such as South Korea, Taiwan, Japan, Hong Kong, and Singapore. A common feature of these East Asian countries is the relatively small amount of social expenditure, despite the state's strong economic role (Gough, 2000, Haggard and Kaufman, 2008). In terms of development, these East Asian countries have adopted a strong export-oriented growth strategy by developing open economies and cultivating their manufacturing sector. In effect, this has led to social assistance being mostly residual, and a strong reliance on families providing welfare (Goodman and Peng, 1996: 207). It has been suggested that the East Asian model is a separate welfare regime that differs significantly from Esping-Andersen (1990) regimes; this is also known as a productivist welfare regime. One of the main attributes of the productivist welfare regime is that social policy is subordinated to policies for economic growth (Holliday, 2000: 708). The regime is characterised by a minimum extension of social rights, segregation of status for productive elements of society, and market-family-state relationships that are primarily directed towards economic growth (ibid).

Several aspects have been highlighted as explanatory factors for this unique productivist regime. In Holliday's analysis, for example, East Asian welfare regimes are seen to be less influenced by popular mobilisation and more affected by elitist control. A configuration of rapid industrialisation, as well as Confucian values and benevolent authoritarianism were suggested to be salient factors (Holliday, 2000: 719). Confucianism is argued to draw upon several important notions, namely: paternalism, family orientation, prioritisation of the group, diligence and hard work (Goodman and Peng, 1996: 195). With such cultural groundings, it

can be argued that the East Asian model differs to those in the West, as the Asian version involves powerful notions relating to the acceptance of hierarchies and collective responsibility (ibid: 196). However, Ramesh and Asher criticised these arguments, suggesting that countries such as Taiwan, South Korea and Japan show elaborate and long-term commitments to social security programmes (2000: 8). In addition, these values may slightly differ in the Indonesian context, where the majority of the current population are Muslims.

Haggard and Kaufman further explained that the minimalist social policies were quite prevalent in terms of public financing, and lacked in the depth and breadth of coverage (2008: 114). Such distinct features arose due to the conservative political realignments that occurred during the early periods of the Cold War. At the same time, the social policies place much more emphasis on the development of human capital formation through the expansion of primary and secondary education. In comparison to the Latin American experience, East Asian countries have had much less experience in competitive politics, and this has limited the outcome of social policies. Under the authoritarian rule, social policy has focused primarily on civil and military servants. However, Haggard and Kaufmann suggest some basic social services were provided to dampen rural insurgencies (2008: 117). When authoritarian leaders have stood for election, voters from rural areas have served as a means of political support that balances urban opposition (ibid).

Another school of explanation on the Asian welfare system focuses on the political transition leading to the expansion of welfare states. Most of the social security programmes in Asia were established only after the Second World War. In particular, in countries such as Thailand, South Korea, and Taiwan, the coverage and size of social security programmes significantly increased in the 1980s and 1990s, which coincided with their political transition into democracies (Aspalter, 2003 and Croissant, 2003, as cited in Croissant, 2004: 509, Park and Jung, 2008: 15). Within a democracy, the collective mobilisation of labourers and citizens is given much more prominence in relation to addressing social problems. In addition, a democracy creates incentives for politicians to respond to social demands for redistribution and entitlements, and also forces the inclusion of previous excluded groups in development. In the Korean and Taiwan experience, universalism and redistribution served as a sensible strategy to reconsolidate power in the country, since economic growth itself was no longer enough to legitimise power (Peng and Wong, 2008: 70).

Southeast Asia

There have been relatively few analyses of the political economy of welfare regimes in Southeast Asia, in contrast to the East Asian context. Ramesh and Asher (2000) presented a comparative study on welfare capitalism in Indonesia, the Philippines, Singapore and Thailand. Their study concluded that, in general, Southeast Asian governments place much more emphasis on health and education than on social security (Ramesh and Asher, 2000: 4). Another comparative study on welfare states in East and Southeast Asia, in which Indonesia was also included, was conducted by Hort and Kuhnle in 2000. The study argues the Indonesian and the Philippines to be an example of social dumping due to the absence of major social protection schemes (Hort and Kuhnle, 2000: 170-171).

In analysing the explanatory factors for the variation of policies, Ramesh and Asher argued that though international factors may have some impact on policy makers, it is domestic political factors that remain the primary shapers of social policies in Southeast Asia (2000:4). The study rejects the structuralist approach, which emphasises the role of industrialisation and the expansion of social policies, as policy response in the region has varied widely. Singapore, despite being the most industrialised of the countries, does not have the most developed social welfare policies, whereas the Philippines has a strong level of intervention in social policies, despite its industrial decline (Ramesh and Asher, 2000: 5). Thus, Ramesh argued that a better explanation of Southeast Asian social policies must concentrate on the state and industrialisation strategies, within the constraints of domestic politics and the international economy (ibid: 8). The study suggested that education plays a stronger role in industrialisation strategy, as does health, though to a lesser extent. In terms of political survival, it is suggested that politicians may depart from traditional means of economic development primarily to establish social programmes in order to gain popular support (ibid).

Gough highlighted several characteristics of Southeast Asian countries, particularly those of Malaysia, Thailand and Indonesia, in which application of the welfare models may differ (2000: 7). From a business perspective, Southeast Asia is argued to be quite internationalised, causing the state to be much less autonomous from business pressures. In terms of democratisation, pressure for social policies from civil societies remains relatively weak, as labour is often fragmented. In addition, the political stage is characterised by patron-clientelistic relations, and hence ideological politics is much less salient. Southeast Asia

remains a region of agricultural workers, wherein families can obtain their livelihoods through both farming and non-farming means. Thus, the family remains the primary alternative to a welfare state, which undermines reforms. In terms of path dependency, Gough underlined legacies of colonialism and how early policies shaped later policy developments. However, as warned by Esping-Andersen, path dependency should not be overemphasised where a welfare system “has not yet sunk its roots, institutionally speaking” (1997: 179). Though all welfare regimes are prone to changes in areas such as the labour market, Gough argues that Southeast Asian economies are much more open to external pressures, both economic and political (2000:9).

Though this thesis focuses largely on social security reform as a phenomenon impacting the welfare system in Indonesia, the research will not be limited to investigating the decision-making process of the social security reform legislations per se. Instead, salient political actors and their differing positions will be mapped out, in light of their roles in highlighting class-coalition politics and influence of the different social policies implemented. The reform will be further analysed to identify the critical political realignments, or the change in organised interest, which may enable a better understanding of the social policy choices (Törnquist, 2004: 378).

3. Research Framework and Methodology

In the following section, a discussion will be given on the research questions, research method, and research design of the thesis. This will allow a better understanding of the framework of the research, and why the specific framework was chosen. An explanation is then provided on how the study was conducted in order to answer the research questions. Finally, several central terminologies of the study are defined, to ensure a degree of consistency in the concepts analysed.

3.1 General Problem

Several recent developments have occurred in terms of developing countries expanding state-based social insurance systems. In a report by *The Economist* (2012), such developments were reported to have been significantly occurring in the Asian region. In China, there has been a drastic increase in health insurance coverage in recent years. According to official statistics, China's health insurance scheme has been expanded from covering 3% of the population in 2003, to 97,5% of the population 2012 (The Economist, 2012b). In the Philippines, 85% of the population are members of the state healthcare insurance scheme, compared with coverage of 62% in 2010 (ibid). The Indian government has also showed expansions in its health insurance coverage.

Such interventions mark an increasing commitment by the state towards welfare provision – a phenomenon that may arguably be unexpected, considering the dominance of market-oriented discourse in many developing countries. As indicated in the findings of the flagship report by the UNRISD, which focuses primarily on middle-income and lower-income countries, there are variations in the types of social policies adopted by developing countries (2010: 134). Thus, the following questions arise: What variations are there in the development of welfare policies in developing countries? What explains these variations? The study takes up the Indonesian context as a case study to shed light on the type of welfare arrangements used, and the mechanisms under which influential factors form such outcomes in developing countries.

3.2 Case Study

In order to study the welfare state expansions in developing countries as a phenomenon, a closer look is needed to understand the type welfare regime and the explanatory factors behind it. Indonesia is one of the countries that is undergoing an expansion of state-based social welfare arrangements. Hence, state-based welfare reforms in Indonesia is selected as a case study in understanding the welfare state expansion in developing countries in general. This is important, as case studies must be put into context within a bigger universe in order for the findings to contribute meaningfully towards advancing knowledge of a phenomenon.

Indonesia can be argued as an important case study, as the current reform indicates a shift from a minimum interventionist social policy to the infant stage of a universal-based social security system, signifying a bold commitment towards a more inclusive welfare regime. This shift can be argued to be rather unexpected, considering that past welfare provisions have been relatively minimalist, which will be discussed in detail in the research findings. In addition, the labour movement in Indonesia has been fairly weak in the past. Indonesia's case is particularly significant, as it also represents developing countries in which neo-liberal policies dominate the economic development, leaving the majority of the population, who are poor, vulnerable to market shocks (UNRISD, 2010: 137).

As there has been limited attempt to study the recent developments in Indonesia in light of welfare state theories, this case study represents an ideal chance to consider the subject in a closer manner in order to achieve a better depth of understanding. In explaining the salient features of the welfare regime Indonesia, concepts from Esping-Andersen's (1990) welfare types will be adopted, although the differences in cultural and economic development between Western countries with Indonesia are well recognised. Esping-Andersen's typologies arguably provide an important compass with which to navigate very different styles of welfare provisions, in relation to which the Indonesian experience is at a crucial crossroads. At the same time, it is important to put the social policies within the unique context of the political and economic environment that influences such decisions. By exploring the political economic processes in the Indonesian reform, much can be learned regarding what works and what does not to develop a more comprehensive social policy in developing countries.

3.3 Research Questions and Design

The primary aim of this study is to identify the type of welfare regime present in Indonesia, and to understand the rise of such welfare arrangements based on the recent developments regarding welfare reforms. Thus, the main research questions guiding this thesis are as follows:

What salient characteristics does the Indonesian welfare regime case display?

What political economy factors explain these developments?

It must be underlined that this study is qualitative in nature, and will not adopt the empirical-quantitative methodologies used by Esping-Andersen (1990). A major consideration is that the Indonesian case is still in its early stage welfare reforms and there is a lack of comparable data. In addition, the historical and social context of the typologies coined by Esping-Andersen (1990) may differ greatly, though the concepts adopted in differentiating the welfare regimes are still useful as indicators of the type of welfare regime.

In studying welfare policy, it is important to see the regime in its entirety – as a configuration of policies. Thus, the empirical analysis will look at the main welfare-enhancing policies that Indonesia has adopted. As seen in comparative welfare studies such as those in by Haggard and Kaufmann (2008) and Ramesh and Asher (2000), common findings highlight that Asian welfare regimes tend to focus primarily on education and health strategies. Furthermore, in recent years, there has also been an increase in targeted anti-poverty policies used as a welfare measure in many developing countries. Hence, this study will not only look at the recent reforms relating to health, pensions, and social security, but also those covering education and anti-poverty.

Research process

The biggest task for the research was finding out which type of welfare regime the Indonesian case actually identifies with, and also what features are unique. As there has been little systematic historical analysis on Indonesian welfare reforms, the paper first presents an analysis of empirical data, based on academic research, media clips and interviews, in order

to give an overview of the events, actors and interests involved. An overview of Indonesian social policies are given with regards to the latest developments, namely, pensions, health, social security, education , anti-poverty policies. Based on these social policies, the paper attempts to characterise the welfare outcomes based on patterns relating to how the policies promote social rights, the role of the state/markets/families, de-commodify and stratify the society .

After identifying how the current Indonesian case compares to other welfare typologies, an analysis is conducted in relation to why such policy outcomes came about; this involves process-tracing the important enabling factors and constraints that have allowed such welfare arrangements, which entailed looking at the role of trade unions, political alignments, and the effects of past policies.

3.4 Analysing the Characteristics of Welfare Regimes

To characterise the Indonesian welfare regime, several important sub-questions are derived to highlight the characteristics of the welfare regime, in order to highlight common patterns with other welfare typologies. It is important to underline that no country has a pure welfare-regime; meaning there are often a combination of characteristics in welfare provision (Esping-Andersen, 1990: 28). Several important aspects that will be used in this thesis is to analyse how the welfare regime promotes social rights, the role of state and market, de-commodification, stratification, and the role of families and social organisations.

3.4.1 Social citizenship

Among the central concepts in relation to welfare state is that of social citizenship. The term was coined by T.H. Marshall (1949: 32), who argued that one experiences citizenship when they can exercise three pillar elements, namely civil, political and social rights. Civil rights here refer to rights relating to individual freedom, such as the right to own property. The political element includes the ability to participate in political processes, both in terms of being elected as a political authority, or as a voter for public office. Thirdly, social rights includes rights ranging from economic welfare to the right to live a civilized life according to social standards, which relates to institutions such as education and social services. Marshall

emphasises that these three elements must not be separated from each other, and that exercising one right should not reduce entitlements to others (Marshall, 1949: 35). As an example, Marshall highlights the Poor Law, which was implemented in England in 1834, wherein the poor were forced to give up their civil rights when seeking relief, as these rights were considered alternatives to one another (ibid). From an international development perspective, however, initial attention has mostly been given to civil and political rights, rather than social and economic rights (Banik, 2010: 125). Even within the developed welfare state, social rights have tended to be conditional, and marginal to the political and legal context (Dean, 2002 as cited in Dean, 2008: 5).

The concept of social citizenship is useful with respect to assessing the social stratifications in a society. In particular, social citizenship allows for a comparison of the status of certain groups or individuals in relation to their access to resources and welfare rights (Dwyer, 2010: 4). Within social citizenship, social exclusions and its dynamics can be further explored to better understand the causes and extent of social inequality (ibid). In general, social rights can be legitimised in several ways. Some ideas are of particularly importance here, such as the needs-based argument and the capability-based approach (Taylor-Gooby, 2008: 36). A needs-based claim assumes that a bundle of human needs can be identified, and that the government has an obligation to ensure that these needs can be met. Gough argued that needs are a set of universal goals, and that when these are not met, serious harm and disablement will be entailed in pursuing one's goals (Gough, 2004: 17); Gough explicitly identifies physical health and autonomy as a basic needs. Amartya Sen emphasises that access to individual capabilities as an important claim to welfare (Taylor-Gooby, 2008: 36). This approach is further discussed in the concepts of well-being under section 3.7. To characterise the welfare regime, a question arises on:

How are social rights institutionalised into welfare policies?

In *The Three Worlds of Welfare Capitalism*, the social democratic welfare regime is the most generous in granting social rights to its citizens. In contrast, the liberal welfare regime is considered to be more minimalist in terms of granting social rights, where benefits are based on needs-testing, and are meagre (Esping-Andersen, 1990: 22). The conservatist regime is argued to be more willing in granting social rights, though they are conditional on contributions, and thus on work and employment (ibid).

3.4.2 Role of state and market

Esping-Andersen emphasises that the welfare state should be understood not only based on what rights are granted, but also in terms of the state's role in relation to the market and the family's contribution towards providing social services (1990: 21). In essence, this aspect discusses the extent to which the state and the market play a role in the provision of social policies. It is argued that in a genuine welfare state, the state's daily routines should ideally aim to service the welfare needs of households (Esping-Andersen, 1990: 20). Yet conceptualisations of the state structure are greatly varied. In welfare studies, the state has been treated as an autonomous collection of bureaucrats, which have varying levels of capacity as an administrative structure (Huber et al., 1993: 713). However, later comparative historical work has conceptualised "the state as set of institutions that process pressures from economic interests and organised groups and produce binding decisions or policies" (ibid). In exerting pressure, two important factors influence how economic interests and organised groups shape policies, namely through the "rule of the game" and how it is laid down in the constitution. These two factors particularly spell out, for example, how special interests can deter legislation adoption, and vice versa (ibid). This paper will seek to also answer the following:

What role does the state and market play in the provision of welfare?

In *The Three Worlds of Welfare Capitalism*, it is argued that neither markets nor the state are the sole providers of welfare, but welfare regimes often consist of a varying blend between public and private provisions (Esping-Andersen, 1990: 79). The state holds a central role in welfare provision in the social democratic regime, a more subsidiary role in the conservatist regime, and a central role in the liberal welfare regime.

3.4.3 Role of family and social organisations

Esping-Andersen's earlier conception of welfare states (1990) has received much criticism for ignoring the gender perspective. As argued by Orloff, the model's assumptions regarding social rights rely on typical rights for men, as the breadwinner of the family (1993: 308). Esping-Andersen later corrected this by further elaborating the family aspect of the welfare model and the role of women. In an extension of the de-commodification concept, the

welfare state is argued to decrease the burden of providing support on the basis of kinship. De-familiasation implies “the degree to which households’ welfare and caring responsibilities are relaxed – either via welfare state provision, or via market provision” (Esping-Andersen, 1999: 45). The Nordic welfare states are argued to explicitly choose social policies that will maximise their economic independence, rather than emphasising family dependence, where female-friendly policies are adopted to lessen the burdens of caring for the family (ibid: 45). In contrast, the conservative welfare policies are less de-commodifying, as there is a strong reliance on the traditional family and women’s economic dependence on the male (Sarameco, 1996; Bettio and Villa, 1995 as cited in Esping-Andersen, 1999: 46). It is suggested that families and social organisations in Indonesia have held a central role in welfare provision; hence, it is also important to highlight the role of non-state actors in contributing to welfare and to see how developments have changed this role. Hence, a further question arises:

What is the role of the family and social networks in the provision of welfare?

3.4.4 De-commodification

A central aspect that receives much attention in Esping-Andersen’s (1990) analysis is the extent to which social policies can de-commodify labour. The argument relating to commodification comes from a Marxist tradition which describes labour under a capitalist system. Prior to industrialisation, livelihoods did not depend purely on the sale of labour. However, within the capitalist system survival has a much stronger reliance on the market, making labour a commodity (Esping-Andersen, 1990: 31). Such commodification is problematic, as “people’s rights to survive outside the market are at stake” (ibid: 35). Thus, Esping-Andersen is highly critical of the liberal assumption that freedom exists where labourers may freely select between leisure, work, and utilities (ibid: 37), otherwise, in line with Marx and Polanyi, such freedom is fictitious as people are subject to powers beyond their control. Esping-Andersen further argues that welfare states vary widely in terms of how they tackle the issue of labour commodification. The main concept of de-commodification refers to the ability to uphold a standard of living independently of market participation (ibid).

In applying the de-commodification concept to the Indonesian case, two possible arguments can be considered. Firstly, it could be argued that de-commodification may be difficult to

apply in Indonesia when industrialisation in the country is relatively underdeveloped and the economy relies much on informal sectors. This implies a dualism in the economy, wherein one extreme is regulated and the other is beyond the reach of state laws and formal markets. Another possible perspective is to view both the formal and informal sectors as being integrated with each other. In other words, these two sectors do not stand isolated from each other, but instead interact and are, to some extent, dependent on each other¹. If this is the case, individuals in the informal sector are not necessarily isolated from the forces of the formal market, but, on the contrary, may be greatly affected by how well the formal market performs. For example, in the case of a street vendor there is a dependence on the ability of customers to buy, and these customers come from both working- and middle-class backgrounds. At times, informal workers can be very much exposed to the extreme degree of commodification, as in the case of sweatshop workers. In the Indonesian case, the latter argument is arguably applicable, and hence the concepts of de-commodification are relevant. At the same time, the application of de-commodification does not suggest that the degree of industrialisation in Indonesia is comparable to that of its European counterparts. Based on the arguments above, a further question has been formulated to analyse the extent of de-commodification in social policies:

How do social policies help to protect and emancipate citizens from becoming victims of the market?

To further understand the type of welfare regime, concepts from *The Three Worlds of Welfare Capitalism* (1990) will be used. The social democratic regime is argued to provide the most universal de-commodifying outcomes; the conservatist regime produces more middle de-commodifying outcomes; finally, the liberal cluster of social protection is considered to have the lowest potential de-commodifying effects (Esping-Andersen, 1990: 51).

3.4.5 Stratification

Stratification concerns the hierarchical social structures within a society. Welfare is argued not only to be a system to correct inequalities, but also as having an active role in the ordering of social relations. An example mentioned is the poor-relief tradition, where certain

¹ Personal communication with Törnquist, 10 April 2013.

charities seem to stigmatise recipients (Esping-Andersen, 1990: 62). Another example is the social insurance system established by Bismarck, which in essence consolidated social hierarchies and rewarded those that were loyal to the paternal monarchy (Esping-Andersen, 1990: 58-61).

In the past, the debate on stratification has mostly been concerned with the redistribution of resources, which circled around poverty and income distribution. The question of whether inequality has declined is important, yet fails to address the aspect of power and equality (ibid: 56-57). However, even where improvements with respect to inequality are achieved, class divides may still persist, hence the importance of understanding how countries structure social citizenship, namely their statuses and classes. It is argued that distribution of income is only part of what can stratify a society; since education affects social mobility, it also affects class structure (ibid). A primary role of welfare states in influencing stratification relies on income maintenance (Esping-Andersen, 1996: 58). In the Nordic social democratic welfare state, wage compression – that is, the reduction of inequalities in wages among workers of different skills – was considered as a central theme (Huber and Stephens, 1998: 362) .

Such stratifications are argued to explain positive feedback loops which reproduce social outcomes. Arts and Gelissen supported explanations such as path-dependency, wherein stratification outcomes influence the class coalitions that are shaped, and thus leads to the reproduction of institutional arrangements and outcomes of welfare (2002: 141). In path dependency, a certain choice of policy can have long-term consequences, which can make what were once viable alternatives too expensive, and hence leads to countries becoming locked into the development process (Pierson, 1993: 606-609). Such implications are long lasting, as social policies may produce irreversible commitments to a particular public system, such as pensions. An important aspect of the path-dependency concept underlines the fact that “policies produce politics” (ibid: 597). Hence, the main question here is:

How do policies contribute to the further stratification of society?

In the conservatist cluster, Esping-Andersen identifies several indicators that contribute to stratification, namely the degree of status segregation and the etatism of benefits, which leads to a hierarchy of welfare benefits (Esping-Andersen, 1990: 59-73). The liberalist welfare regime is characterised by a strong focus on social assistance and the creation of a dualism

within the economy. Finally, the social democratic idea of stratification was motivated with social solidarity and universalism in mind (ibid).

In characterising Indonesian welfare provision, several important attributes of welfare regimes drawn from *The Three Worlds of Welfare Capitalism* can be summarised as follows:

Table 1: Characteristics of the Three Worlds of Welfare Capitalism

	Liberal	Conservative	Social Democratic
Granting of social Rights	Means-testing	Conditional of employment status	Universal
Role of state	Marginal	Subsidiary	Central
Role of market	Central	Marginal	Marginal
Role of family	Marginal	Central	Marginal
De-commodification	Minimum	High (for breadwinner)	Maximum
Stratification	Emphasis on stigmatising poor relief and dualism in the economy	Segregation of working status and etatism of benefits	Universal benefits and social solidarity

Summarised from Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism* and Gough, I. (2004) *Welfare regimes in development context: a global and regional analysis* in Gough, I. et al. (2004) *Insecurity and Welfare Regimes in Asia, Africa and Latin America*.

3.5 Analysing the Rise of the Welfare State

To understand the rise of welfare regimes, this paper will use concepts from both Esping-Andersen (1990) and Haggard and Kaufman (2008). In Esping-Andersen's analysis, three important factors are argued to have a significant influence on the welfare state, namely working class mobilisation; class-political coalitions, and legacies from past policies (Esping-Andersen, 1990). In the working class mobilisation thesis, the existence of trade unions is not enough to explain the type of welfare regime. Rather, it is the structure of the labour movement – that is, the relationship between trade unions and parties – that is central in shaping welfare policies (Esping-Andersen, 1990: 110). In the social democratic regime, universalism and equality principles in the welfare system, are dependent on the strength of left-party mobilisation (ibid: 136). The centrality of left-party mobilisation in influencing

welfare types is also supported in the case of the liberal regime, wherein left-party mobilisation has a negative effect on the liberalness of a regime (ibid). On the other hand, central Catholicism and absolutism have been found to have a significant influence on the bias towards corporatist and statist welfare regimes (ibid: 138).

But what did Esping-Andersen (1990) actually mean by left-party mobilisation? In his quantitative analysis, mobilisation was measured by the weighted average of legislative and cabinet seat shares for labour parties. However, in explaining the use of left-party mobilisation, Esping-Andersen explained that the power of the left to push for a universalist welfare state depends on their capacity to “eradicate status differentiation and dualisms that arise when large groups tie themselves to market provision, and to minimize group stigmatization” (ibid: 110).

Thus, one must look beyond the left parties per se, to consider the capacity for class political coalition – particularly with the rural class (Esping-Andersen, 1990). In the initial phase of the rise of the social democratic welfare state, class coalitions between labourers and capital-intensive farmers were crucial in negotiating political deals (ibid: 30). In the United States there was a similar alliance, yet the labour-intensive nature of southern states blocked them from forming a universal social system. On the other hand, European countries were hostile to labour movements, and farmers were instead incorporated into alliances with conservatives (ibid).

Another crucial aspect relies on how welfare states incorporate the middle class for political consolidation (ibid: 31-33). In the social democratic model, benefits must cater to middle-class tastes and expectations, while simultaneously maintaining broad welfare policies. Conversely, the liberal model solidifies the dualism within the economy by separating the poor and the middle class. In the continental European experience, meanwhile, middle-class loyalty to conservative forces is promoted by establishing a hierarchical social-insurance programme.

In order to provide the analysis with an arguably more contextual basis, several concepts from Haggard and Kaufman (2008) regarding the Asian welfare state will be considered; this includes countries from both East Asia and Southeast Asia, namely South Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand. According to Haggard and Kaufman’s

analysis, the Asian countries studied in their sample shows similar patterns, where late democratisation and recent economic growth has been followed by the expansion of the welfare state (2008: 256-261). At the same time, it should be noted that Indonesia's state capacity is less effective, and its industrialisation far less advanced, compared to the majority of countries studied in the Asian context. As highlighted in the literature review, three factors that determine welfare outcomes, as outlined by Haggard and Kaufmann (2008), include political re-alignments, development strategies, and past welfare policies.

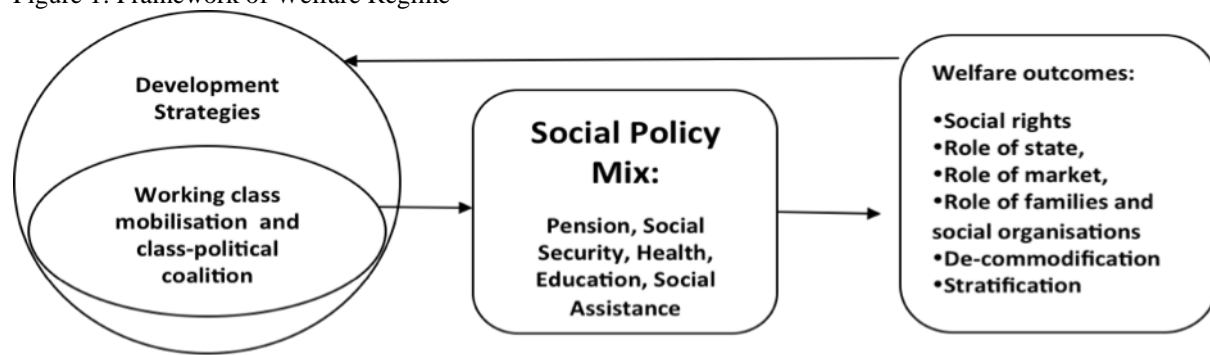
Similar to Esping-Andersen's (1990) approach, the structure of labour movements remains an important aspect in Haggard and Kaufman's (2008) analysis power structure. However, Haggard and Kaufman differ in terms of the way in which they define the crucial political alignments based on political institutions, and concentrate on how political elites extend power or exclude organisations that represent labour and the poor (2008: 2). An important analysis in their analysis refers to the marked change of welfare policies in Latin American, Asian, and Eastern European countries, within the context of the regions' own histories. This change in welfare policies is argued to be influenced by political re-alignments – that is, the discontinuity of particular compositions of the political elite, and the legal and political status of labour and peasant organisations (Haggard and Kaufman, 2008: 45-46). It is argued that labour- and popular-based groups are included in the political arena in terms of the grounds used to gain political support for the elites. Particularly with the introduction of democracy, the electoral weight becomes an important consideration in social policy (ibid: 197).

Development strategies are the second factor used to explain the variation in welfare regimes. In this research, development strategies refers to economic strategies and the organisation surrounding economic performance. Economic policies arguably have a strong influence on social policies, not only in terms of issues pertaining to employment, but also those relating to the state's fiscal capacity to provide welfare (2008: 2). The present study will thus show how development policies influence social policies in the light of economic growth corresponding to labour market policies. In addition, it will demonstrate how concerns regarding fiscal space influence the debate on welfare reforms.

Finally, past welfare legacies are arguably important with respect to continuing to influence current welfare policies. Similar to the path-dependency theory, past welfare and development policies create constituencies and interests for special groups that have received

benefits in the past, hence creating feedback loops on the current political alignments and development policies. Figure 1 gives a description of the framework used in this thesis. This is not to imply that welfare arrangements remain consistent regardless of the situation, but rather that boundaries or constraints are created in relation to the extent of the reform. Different groups may have different effects on initiatives of reform, and the interests of special groups, such as those with existing entitlements, influences the ability to make drastic changes concerning welfare commitments (Haggard and Kaufman, 2008: 197). Administrative apparatus that are embedded within the welfare system may also constrain or modify welfare reforms.

Figure 1: Framework of Welfare Regime²



From Esping-Andersen (1990) and Haggard and Kaufman's (2008) analyses, several central questions can be posed to explain the rise of the welfare state:

1. **What influence does the labour movement and class-political coalitions have on welfare policies?**
2. **How are welfare policies used for political mobilisation?**
3. **What constraints do development strategies and past welfare legacies place on welfare expansion?**

It is recognised, however, that pointing out one specific factor as a single determinant in affecting of the type of welfare state is not ideal. Instead, the rise of Indonesian welfare reform is better seen as a myriad of enabling and constraining factors, which often interact with one another. Economic circumstances, such as fiscal constraints, are influenced to some extent by decisions from the political constellation. At the same time, the size of the middle

² Further developed from ULRIKSEN, M. S. 2012. Welfare Policy Expansion in Botswana and Mauritius : Explaining the Causes of Different Welfare Regime Paths. *Comparative Political Studies*, 45, 1483-1509.

class is highly dependent on the economic circumstances of the country. Spurious relationships may occur in explaining welfare policy choices. International forces may also have an important influence, though this research focuses primarily on determinants in the national arena.

In summary, the following questions will be addressed in this thesis:

Research question 1: What salient characteristics does the Indonesian welfare regime case display?

With sub-questions:

- How are social rights institutionalised into welfare policies?
- What role does the state and market play in the provision of welfare?
- What is the role of the family and social networks in the provision of welfare?
- How do social policies help to protect and emancipate citizens from becoming victims of the market?
- How do policies contribute to the further stratification of society?

Research question 2: What political economy factors explain these developments?

With sub-questions:

- What influence does the labour movement and class-political coalitions have on welfare policies?
- How are welfare policies used for political mobilisation?
- What constraints do development strategies and past welfare legacies place on welfare expansion?

Indicators

In order to answer the questions above, the study looks into the historical aspects and the social policies adopted in the Indonesian regime. With respect to enabling factors, the historical background of welfare policies in Indonesia is addressed to indicate what policy legacies have been established, as well as the political interests behind them. Table 2 presents a summary of welfare regimes studied by Esping-Andersen (1990) and Haggard and Kaufman (2008) which serves a basis to identify similar characteristics and historical context of causes of welfare states. Following this, recent developments in social security reform are

outlined to indicate the changes that have occurred and different interests that surround the latest plans on welfare expansions. These changes serve as a basis on which to highlight the contributing factors to explain recent developments in welfare expansion. In this research, the analysis is focused primarily on the role domestic actors – namely, labour unions and government – play in shaping welfare provision.

The salient characteristics of the welfare regime, are addressed via a set of social policies, which will be referred to as the “social policy mix”. These include pensions, social security, health, education, and anti-poverty policies. The social policy mix is primarily used measure the role of the state and, to some extent, how non-state actors may fill the gap relating to welfare provision. The social policies presented are also important for providing an indication of the extent of welfare commitments by the state and its potential effects on welfare outcomes. Based on the findings from the social policy mix, the overall characteristics of social rights, the role of the state and markets, the role of the family and social organisations, and the potential outcomes on de-commodification and stratification are analysed.

Table 2: Summary of Welfare Regimes

	Social Democratic	Corporatism	Liberal	Asian	Latin America	Eastern Europe
Rise	<ul style="list-style-type: none"> Red-green coalition (alliance of workers and farmers on full employment welfare states). Rural class was organised and well articulated. Incorporate demands of the middle class to sustain the welfare state 	<ul style="list-style-type: none"> Bismarck wanted to combat labour movement, by corporatising welfare system into the state. Guild tradition Institutionalised middle class loyalty. 	<ul style="list-style-type: none"> Reliance on the market as welfare provider Rural class already eroded Middle class institutionally wedded to the market Opposed welfare state developments 	<p>1950-1980</p> <ul style="list-style-type: none"> Conservative and mostly authoritarian, anti-communist, marginalised left, rural insurgencies as incentives for basic services <p>Reform 1980-2005</p> <ul style="list-style-type: none"> Democratic transition during economic expansion Strengthened reforms for the expansion of state social policy role. Crisis period, but no major retrenchment, Liberal reformers did not gain social traction on social policies. 	<p>1950-1980</p> <ul style="list-style-type: none"> Political elites responded to urban working class. Nationalisation (ISI). Class of beneficiaries with narrow but generous benefits. <p>Reform 1980-2005</p> <ul style="list-style-type: none"> Change to more competitive political system. Devastating economic shocks in 1980s (ISI model collapsed). Rise of liberal agenda; efficiency of costly social insurance programs, more targeted toward anti-poverty programmes. 	<p>1950-1980</p> <ul style="list-style-type: none"> Labourers and peasants repressed, leading to a much broader socialist project (nationalisation of industries and collectivisation of agriculture). <p>Reform 1980-2005</p> <ul style="list-style-type: none"> Deep structural and economic changes strengthened technocrats, allowing reform, but past stakeholders wanted existing entitlements, and had high expectations of state intervention.
Characteristics	<ul style="list-style-type: none"> Equal benefits to all. Social solidarity Comprehensive benefits. Crowds out market. Dependence on family minimised Extensive redistribution Fusion of welfare and work Income security Full employment (low unemployment) 	<ul style="list-style-type: none"> Social insurance segmented according to professions (particular benefits originally for civil service) Strong role of the church and the family Excluded non-working wives and encouraged motherhood. Underdeveloped family services. 	<ul style="list-style-type: none"> Self-responsibility Market an important welfare provider. Residual welfare. Means-testing catered to the poor. Poor stigmatised. Charity poor relief. Benefits modest. Employment mechanisms provided through market. 	<p>Reform 1980-2005</p> <ul style="list-style-type: none"> Expansion of defined benefits such as public pensions. Expansion of public health insurance. Decentralisation, wide depoliticisation, wide extension of public education. Expansion of social insurance and unemployment benefit. 	<p>Reform 1980-2005</p> <ul style="list-style-type: none"> Expansion of welfare commitments, but fragmented Partial privatised pensions Increased role for private health insurers. Decentralisation of education. Limited unemployment. Expansion of anti-poverty programmes. 	<ul style="list-style-type: none"> Broad social entitlements. State-directed intervention into allocation of labour and employment guarantee. No private financing and provision. Authoritarian control of education. <p>Reform 1980-2005</p> <ul style="list-style-type: none"> Partial privatisation of pension. Establishment of social insurance funds, but continued universal health coverage. Decentralised, shift from vocational to generalised education. End of employment guarantee. Established unemployment insurance, early retirement disability and family allowance.

Summarised from Esping-Andersen (1990) *The Three Worlds of Welfare Capitalism*. And Haggard and Kaufmann (2008) *Development, Democracy and Welfare States*.

3.6 Research Method and Sources

The study uses a qualitative approach to analyse and collect the data, as the contextuality of the policies and the determinants of the reform are central to this study. A quantitative comparative approach would arguably be more applicable to analysing established welfare states, as the welfare policies would be more advanced compared to those of developing countries. However, when the primary focus is on understanding the type of welfare arrangement and the enabling factors, which may have significant interactions with one another, a qualitative approach through a case study is more desirable. The choice of case study is chosen as one of the strengths in the case study method lies in the capacity for exploring causal mechanisms (George and Bennett, 2005: 21). A case study not only allows for better identification of the causal mechanisms but also possible intervening variables influencing the causal effect of an outcome variable (Bennett, 1997 as cited in Mahoney, 2002: 363). In order to capture the finer details of interactions and the developments of influential actors, a case study with one unit has been selected, to allow a better control of the differing variables affecting reforms. Through this approach, the research will arguably be able to produce a better evaluation of the complexities, variability and dynamic interactions between causal conditions (Kangas, 1994: 347).

As various political and economic factors may have a direct effect on the reform, and possibly affect one another, a systematic mapping of causal linkages is needed. Hence, **process tracing**, wherein multiple types of evidence are used for verifying a single inference, is employed within the research design (Gerring, 2007: 173). By identifying the causal mechanisms in play, the internal validity of the findings can be strengthened.

3.6.1 Timeframe

A discussion will be conducted on the historical account of the Indonesian welfare system prior to the Asian financial crisis in 1998 in order to provide an overview of the institutionalisation of welfare schemes under Suharto's authoritarian regime. Arguably, 1998 can be seen as a crucial period as fundamental changes occurred not only economically, but also politically for Indonesia, as it transformed into the world's third-biggest democracy. The impacts of the financial crisis in particular were largely significant for Indonesia, in terms of

introducing a more direct approach towards development strategies through social assistance and other safety nets (Torheim, 2012). The study will then focus on the events leading to the social security reforms, including the implementation process up to 2013.

3.6.2 Data and data collection

The case study employs a combination of document-based analysis and interviews to collect the empirical data for the analysis. Considering the fact that reform commitments in Indonesia were only firmed up in 2011, there is a lack of scholarly analysis, particularly on the reform itself. Hence, triangulation of the information obtained was carried out to ensure the validity of the information used. The study also synthesises some of the academic literature on Indonesian political institutions, and studies on issues pertaining the individual welfare strategies such as education and labour policies. Several media sources have also been used, as the events leading to the bill enactment have received much media attention. In addition, minutes from DPR (People's Representative Council) meetings regarding the social security reform have been used to obtain an insight into the elitist debates surrounding the reform within parliament.

3.6.3 Interview

To increase understanding of the type of welfare regime that is taking shape, and the historical factors leading up to the reform, fieldwork research was conducted for six weeks in Indonesia, in both Yogyakarta and Jakarta, from mid-December 2012 to January 2013. To complement the analysis, 18 in-depth interviews were conducted, wherein the samples were purposively selected on the basis of relevance to the research question. The interviewees came from a wide range of backgrounds, including academic, trade union, political, activist and government. The interviews varied in length from 30 minutes to three hours. In addition to the formal in-depth interviews, informal discussions were conducted with followers of the welfare reforms, including a journalist, government officials, consultants, users of the current healthcare system, doctors and academics.

A range of interviewees was selected to represent the different interests influencing the welfare reforms. There are a number of Indonesian trade confederations, but this study

focuses on KSPI, one of the main trade union confederations, which was active in the enactment of the bill reform through its Social Security Coalition (KAJS). Interviews were also conducted with a politician from PDI-P, a political party which was particularly vocal regarding the bill, and also a politician from Golkar. In order to provide a different perspective, an interview was also conducted with a representative from Apindo, which served as the main source of information regarding the employer's position. Some additional insights were gained by interviewing labour analysts from different academic institutions and non-governmental agencies in Indonesia. Several informants were contacted by email prior to the research trip to Indonesia, and several additional informants were contacted following suggestions arising during the interviews.

Semi-structured interview was the primary method used in the research. The structure of this type of interview is argued to be appropriate as it will still have an overall structure related to the particular theme, but allows greater flexibility with respect to the interviewee's response (Bryman, 2004: 321). Despite flexibility being welcomed in the responses, an interview guide was prepared beforehand. In addition, the author practiced interviewing skills to allow for better communication and to extract the relevant information needed.

Another aspect to consider is the credibility of information obtained from the informants. As different actors were involved in the process, it was particularly important to keep in mind that subjects may exaggerate their roles, or simply have a very subjective take on the events in question (Berry, 2002: 680-681). In order to anticipate this, the timeline of events was mapped as far as possible from the available resources accessible prior to conducting the fieldwork, and crosschecked with the information given. Another technique employed was to ask the interviewees about their perceptions of other actors' roles in determining the extent of their own roles in the events (ibid).

A weakness within the interviews arose from the relatively limited amount of prior interaction with the informants, which might have limited the comprehensiveness of their recollections. Hence, the scope of interviews may be limited due to the restricted resources, both in terms of time and capacity. Considering that fact that there is relatively little scholarly data on the recent health and social security reforms, the interviews focused primarily on those areas, while information concerning education and social assistance was obtained from secondary data obtained from scholarly studies.

3.7 Concepts

In order to operationalise the concepts mentioned in the theories and research question, several central terminologies are defined in the following section. A basic understanding of welfare concerns the issue of wellbeing, which is often associated with the fulfilment of basic needs. However, in this study, welfare refers to a much broader concept, wherein it allows one to fulfil their life goals (Bojer, 2003: 20). In terms of development, Sen argues that in order to improve welfare, efforts must be made to ensure the individuals' capabilities to achieve various valuable functionings in their life (Nussbaum and Sen, 1993: 30). Thus, the concept of welfare goes beyond basic physical necessities for survival, to consider a more encompassing condition of acceptable standards of living within a society.

A welfare regime consists of the instruments used for governance with respect to the development and implementation of social policies. In using the existing welfare models, a deeper discussion must be conducted on the different definitions of welfare states as types of welfare regimes. Esping-Andersen (1990) argues that a welfare state is not a mere system involving state responsibility to ensure the basic welfare needs of its citizens. Rather, a welfare state is argued to be most effective when it satisfies more than just minimal needs, by creating social policies that are emancipatory, and through its distinct role in market processes (Esping-Andersen, 1990: 19). This is linked with the concept of welfare being more than the fulfilment of basic physical needs, which are emancipatory in nature.

In this research “welfare reforms” are distinct from “welfare regimes”, as reform refers more to the changing policies that may arise as a result of the political economic surroundings. In this study, reform is focused on measures primarily relating to the social protection system. Furthermore, a “social protection system” – often referred to as a social safety net in developing countries – is a public action that is taken to mitigate risk, and reduce vulnerability and deprivation in a particular polity both for the poor and the non-poor (Norton et al., 2001: 21). A social protection system often consists of two major components: social assistance, which refers to in-kind benefits that are financed by the state through redistributive policies; and social insurance, which is social security which relies on insurance (van Ginneken 1999: 6 as cited in Norton et al., 2001: 22), wherein:

the basis of insurance is understood here to be the elimination of the uncertain risk of loss for the individual or household by combining a larger number of similarly exposed individuals or households into a common fund that makes good the loss caused to any one member (ibid).

Social security itself can be a confusing concept, where social assistance to the poor is sometimes argued as a form of social security. In this research, social assistance to the poor is considered to be distinct from social security. Social security is defined as policies and schemes that are aimed at protecting people in their ability to participate in the market, and in this study covers policies such as health insurance, life insurance, work injury insurance, maternity benefits, and unemployment benefits. It can be argued, however, that social security policies cannot be analysed in isolation if we are to understand the de-commodification effects it promotes. Rather, social security policies can be arguably more meaningful if seen within the context of national employment policies.

Assistance to the poor, then, will be considered to refer to anti-poverty policies or social assistance (where these terms will be used interchangeably). Though there are many types of assistance to the poor, this thesis focuses on policies overseen by the government to direct financial assistance to the poor with the aim of improving the minimum standards of wellbeing.

Central to this concept is the influence of labour in shaping the country's welfare system. Within this study, labour is defined as low-skilled and unskilled waged earners formally working in various sectors. While labourers are classified as the working class in Indonesia, the middle class is categorised separately due to the differing life experiences (Ford, 2009: 137).

4. Findings

In the following section, a summary of policy developments is given to serve as a background against which to characterise the more recent Indonesian welfare policies after democratisation in 1998. In the empirical analysis, the study first looks into the background of the past policy legacies that may have influenced the current arrangements. Following this, findings are presented on the recent social security reforms in order to shed light on differing roles and interest contributing to the reform. An overview will then be given of the latest social policies, namely those regarding pensions, health, social security, education and poverty reduction. Based on these empirical findings, an analysis of the Indonesian welfare characteristics and the political enabling factors is then presented.

Historically, Indonesia established social security programmes that were generally very limited in scope. The first programme established in Indonesia was an employer-funded pension fund in the 1920s (Ramesh and Asher, 2000: 39). This programme essentially covered very few private workers, and has been argued to have had zero influence on the future of social programmes. After independence in 1945, Indonesia developed several social schemes, which were differentiated by sectors. One of the most generous and comprehensive programmes was developed for the public sectors, in contrast to those in the private sector.

4.1 History of the Indonesian Social Welfare System

Indonesia's official social policies started in 1952, under the Ministry of Labour regulations that stipulated benefits for workers through polyclinic services during illness, pregnancy, and death. In 1964, the regulations were revised to include all workers and their families within a social insurance scheme (Wisnu, 2012: 100). At the time, Indonesia's economic development was strongly influenced by Soekarno's Guided Democracy (1959-1965) wherein President Soekarno viewed political participation as a threat to his regime. As Soekarno needed the support of the military and bureaucracy, efforts were made to improve social wages, despite the lack of public funds to support such schemes (Ramesh and Asher, 2000: 150). In terms of addressing poverty, land reforms were conducted in 1960 as efforts to redistribute resources (Timmer, 2004: 6). However, such efforts seemed to underline the use of social policies for

political survival, rather than improving welfare standards. Despite the welfare arrangements, Soekarno's regime was toppled; it was followed by the Suharto regime.

4.1.1 Under Suharto

During Suharto's government, several social security agencies were established, originally as public enterprises. In 1977, Perum ASTEK – now known as Jamsostek – was established to provide health insurance for private workers; in 1963, Perum Taspen and Perum Asabri were introduced to deliver old-age benefits for civil servants and military workers, respectively; and in 1992 Perum Askes was formed to provide health insurance to public servants (Tambunan and Purwoko, 2002: 21).

Suharto faced relatively few political challenges during his reign, and lead with an iron grip. Despite the social security agencies established, it can be argued that mass-based welfare policies received relatively less attention in his development plans. Instead, Suharto focused much of his early years on stabilising and developing the economy, with significant results. According to macroeconomic measurements, Indonesia's GDP per capita increased dramatically and rose more than fourfold from the 1970s to the 1990s (Schwarz, 1997). Though "pro-poor growth" was never mentioned explicitly, economic planners claimed that the development benefits would reach the poor through economic growth. Economic results show remarkable outcomes with respect to poverty reduction: while two-thirds of the population were poor in 1967, only one-eighth were below the poverty line in 1997 (Timmer, 2004: 7). However, poverty reduction was not evenly reduced nationwide, and signs of great inequality could be seen among the provinces, revealing pockets of poverty in particular areas. A study conducted by the World Bank reveals that in final years of Suharto's regime, rural Irian Jaya (now known as Papua) was clearly the poorest region in the country, followed by rural East Timor (now an independent country – Timor Leste), and rural East Nusa Tenggara (Lanjouw et al., 2001: 10). It was concluded that monetary wellbeing was unequally distributed among the rural and urban areas of Indonesia during the final years of the Suharto regime.

As in many other Asian countries, Suharto's social policies were directed mainly towards improving health and education. Since the 1960s, Indonesia has undergone significant

expansions in terms of education opportunities driven by both the extensive increase of educational facilities offered by the government, and the private sector (Booth, 2000: 93). Much improvement was seen in terms of literacy rates and education enrolment during the years of Suharto's presidency. According to estimations, over 90% of 8–12-year-olds were enrolled in school in the mid-1990s, and by 1997 primary education was close to universal (Thomas et al., 2004: 62). Illiteracy rates also declined significantly, from around 50% in early 1970s to less than 11% in 1998 (Jalal and Sardjunani, 2005: 5). In order to cater to religious constituencies, state Islamic education institutions were also established, and subsidies were provided for private schools administered by churches and other religious organisations (Liddle, 1985: 80). There were, however, indications of a significant lack of higher education facilities compared to demand for university places (Ramesh and Asher, 2000: 123). Under Suharto's regime, the vast investments in education were argued to serve as a form of political legitimacy by which to respond to the enormous demand for education (Liddle, 1985: 80).

In the health sector, much progress was also made under Suharto's regime. This is indicated by the decline in the infant mortality rate and the increase in life expectancy rate at birth from 1980 to 1997 (BPS, 1999, World Bank, 2013). It is noted, however, that the Indonesian public healthcare provision prior to the financial crisis was small in comparison to that of other Southeast Asian countries (Ramesh and Asher, 2000: 87). The main public health insurance schemes, Askes and Jamsostek, were reported to cover 31 million people, which was 16% of the population in 1997 (Jakarta Post, 26 September 1997 as cited in Ramesh and Asher, 2000: 88). Askes is a compulsory health insurance scheme for civil servants and armed forces pensioners and their families, and still exists today. Under this insurance, civil servants may include their spouse and up to two children in their cover. The total premium is 4%, where payment is shared by both the employee and the government as the employer (Hidayat and Pokhrel, 2010: 10).

In general, education and health policies under Suharto were quite centralised, and many of the programmes were managed using a top-down approach. According to Gough's analysis of welfare regimes in East and Southeast Asia, which included Indonesia, social policies showed similar characteristics, being rather statist, and were arguably considered to be more of a social investment than a social protection (2004: 190). In addition, though aggregated data show improved outcomes in areas such as life expectancy and school enrolment under

Suharto's regime, this may disguise the depth of poverty and inequality between socioeconomic classes and across rural and urban areas.

Suharto's regime was repressive towards opposition. Against the backdrop of the Cold War, Suharto gained power legitimacy by abolishing the national communist movement in the mid-1960s, which reportedly resulted in the killing of thousands of people. At that time, the communists were portrayed as attempting to conduct a coup through killing several generals of the national military. Suharto won all six elections in the years to follow, and the results did not affect his political power over the country. Social control under Suharto's regime is considered to have relied heavily on coercion (Crone, 1988: 264), which was exercised by the centralised bureaucracy. The military also strongly supported Suharto's regime. In addition, state-patronage complemented much of the politics during the period, wherein external resources channelled to the elites "reduced [the] necessity of relying on the general population for revenues" (Robison, 1985 as cited in Crone, 1988: 264). As a result, political participation was dominated by a few political elites.

These undemocratic measures were also detrimental to those left outside of the growth. The limited amount of political contestation is suggested to have led to a lack of political pressure for Suharto to expand social programmes to the most vulnerable (Ramesh and Asher, 2000). In terms of the political constellation, the left was ultimately eliminated upon Suharto entering into politics 1965. Aside from Golkar, the main political party for Suharto, there were only two other parties, namely PDI, the Indonesian democratic party, and PPP, which incorporated Islamist interests.

Under Suharto, the opposition's movement was limited and the government continuously intervened with the opposition's internal affairs. Civil societies were in existence, but the Suharto regime tried to confine them to strictly "social" spheres, and they were thus banned from entering into politics (Aspinall, 2005: 7). Organisations, particularly those which represented lower-class groups such as workers and peasants, were forced to merge with state-controlled bodies such as the All-Indonesia Labour Federation (FBSI, later known as SPSI), which in essence enjoyed very little independence (ibid). This marked the corporatisation of trade unions into the state, and resulted in weakening the power of the working class with respect to demanding the expansion of welfare policies.

At that time, FBSI acted as an umbrella organisation for differing sectoral trade unions, and was established as a “partner” in realising economic growth based on Pancasila labour relations (Ford, 2009: 33). In late 1970s and early 1980s, the number of strikes increased greatly, with most being concentrated in the Jakarta area (Manning, 1993: 70). As a punishment towards organised labour trade unions, strikes were banned by the government and the left essentially lost a great deal of power when FBSI was restructured by the government into SPSI in 1985 (Ford, 2009: 35). This resulted in the limitation of those who wanted to work towards the interests of workers’ welfare. Though many still upheld social democratic ideals, despite the establishment of SPSI, their ability to implement them was limited, since they had to either work within SPSI, or leave it altogether (Ford, 2009: 36).

In sum, several features characterised Suharto’s welfare regime. Firstly, social policies were etatist and social benefits were extended primarily to those within the civil service and the military. This extension of benefits has been argued to cater to the beneficiaries from whom Suharto needed direct political support to remain in power – namely the civil service and the military (Ramesh and Asher, 2000: 150).

Secondly, welfare distribution to the more general public revolved around state corporatism through government schemes and allocations from Suharto’s Golkar party. Though much of the distribution was centrally managed by the state, politics in Indonesia under Suharto was often considered to be supported by strong patterns of patron-client relations, in contrast to ideological or interest-based politics (Aspinall, 2013: 33-34). Within clientelistic-oriented politics, politicians allocate a sum of resources to their clients in exchange for political support; it is often characterised by personalistic and particularistic relations (Powell, 1970: 412-413). The allocation of funds to social organisations, in particular for social welfare facilities based on religions, such as Islamic schools and hospitals, have been considered to be used as an arena from which to rally political support (Liddle, 1985: 78-80; Hicks, 2012: 45). Hence, it can be argued that the distribution of welfare resources under Suharto’s regime is characterised to have been as more channelled and relatively exclusive.

Thirdly, oppositions and other political actors were either weak or were more or less controlled by the government, and hence mass-based welfare schemes were relatively limited. Only in the later years of Suharto’s regime were measures to expand social commitments to a wider public established through labour insurance under Jamsostek, though

coverage was relatively limited. *Desa Inpres* programmes were also established in the later years under Suharto to give financial assistance to the development of poor villages, yet this is argued to have benefited mostly the land-owning class (Liddle, 1985: 78). These patterns of welfare distribution are important to keep in mind to see the changes of state-based welfare distribution.

4.1.2 Impacts of the Financial Crisis

The financial crisis of 1997/1998 changed the Indonesian economic and political landscape irrevocably. The Indonesian economy hit rock bottom with the destabilisation of the Indonesian currency against the US dollar from around Rp 2000 up to over Rp 15000, which inflated the prices of many goods. The economy was severely hit and this affected social stability, with riots and lootings occurring nationwide. Faced with the collapse of the corporate and banking sector, Suharto, for the first time, lost his ability to dictate the course of events and to “protect political and economic interests surrounding him” (Robison, 2001: 119). With an uprising of student demonstrations, and political elites increasingly turning their backs on the New Order regime, Suharto was forced to resign in May 1998, which came quite unexpectedly. Indonesia then entered a democratic polity, which reorganised much of the playing field for political contestation with the entrance of new political parties and struggles for reconfiguration of the former oligarchy (Robison and Hadiz, 2004).

With the marked inflation and the collapse of several economic sectors, the economic crisis affected all strata of society and social tensions were high. According to statistics, prior to the crisis only 11% of the population were living in poverty, while in 1998 estimations outlined increases ranging from 14% to 39%³ (Cameron, 1999: 12). The financial crisis not only affected the poor, but also much of the middle class in urban areas, where booming economic sectors such as banks and the financial sector were hit. Many foreign investments in the country were pulled from service to manufacturing sectors, leading to mass unemployment nationwide. Based on official data from the National Statistics Bureau, unemployment increased drastically from 4.6% in 1997 to 6.5% in 1999 (Suryadarma et al., 2007: 4). The magnitude of the crisis had never been seen before, and can also be argued to have influenced the formulation of mass-based welfare policies.

³ ILO estimated 49%, whereas BPS (Statistics Indonesia) estimated 39.9%.

To mitigate the impacts of the economic crisis, the Indonesian government, together with various foreign donors, embarked on social programmes specifically targeting the poor through the *Jaring Pengaman Sosial* (JPS -“Social Safety Net”). These targeted programmes were a relatively new approach as a development policy, as social protection mechanisms prior to this relied mostly on family and social networks. Due to fear of severe social impacts arising from the economic crisis, the Indonesian government rapidly institutionalised several interventions to protect incomes and improve access to welfare services for the poor (Sumarto et al., 2004: 3). The establishment of the Social Safety Net programmes is argued to be politically important, as both the new government and bilateral agencies and international financial institutions needed to be seen as responding to the crisis in order to differentiate themselves from the past regime (Pritchett et al., 2002: 5). Different programmes were established, including *Operasi Pasar Khusus*, which distributed subsidised rice to poor families. Another programme included JPS-BK, which provided subsidised medicines and free medical services. There are indications that some of these programmes have significantly reduced the probability that beneficiaries to become poor again (Sumarto et al., 2004: 25). The above social assistance programmes were meant to provide for the newly poor affected by the crisis, but many similar state programmes have remained in place; these will be discussed further under the section in 4.2.6.

4.1.3 Recent Developments: Social Security Reforms

In Indonesia, social protection programmes are still currently segmented, and give priority to civil servants, the military, and workers in the formal sector, as institutionalised under the Suharto regime. The administration of the protection programmes are conducted separately by different agencies and under different ministries and state-owned enterprises. With regards to healthcare, the current healthcare administration is also largely fragmented. PT. Jamsostek provides healthcare insurance to workers in the private sector, and is under the administration of the Ministry of Manpower and Transmigration. On the other hand, the Ministry of Health is responsible for PT. Askes which provides healthcare for civil servants and more recently administers the Jamkesmas, which is a healthcare programme targeted towards the poor. Both PT. Jamsostek and PT. Askes are state-owned enterprises; hence, they are administered under the Ministry of Public Enterprises (BUMN), which also indirectly affects the management of social security under the BUMN Ministry. This aspect is important, as the BUMN minister is

often highly political and the role is usually given to a close confidante of the ruling party. The fact that Jamsostek and Askes are state-owned enterprises implies that in order for these companies to remain in operation, they must seek their own financing through the business they conduct, and hence profits are kept for business purposes. This may be problematic where profits may not return to beneficiaries, in contrast to a trustee body. In addition, the government taxes the profits generated by enterprises.

Participation in the Jamsostek scheme is compulsory for companies with more than ten employees, according to Law 3/1992. Aside from healthcare insurance, Jamsostek provides protection schemes through death benefits, work injury benefits, and old-age provident funds. However, coverage has been limited for several reasons (Tambunan and Purwoko, 2002). Firstly, Jamsostek is targeted towards workers in the formal sector, whereas the majority of workers work in the informal sector. Secondly, companies find other options in order to avoid participating in Jamsostek. The law stipulates that companies may opt out of the scheme if they can provide a better one; hence, many employers have opted to use private insurance instead. Some companies have also tried to evade their obligation to register their employees in Jamsostek by hiring them as contract workers, even for many years, so as to be exempted from Jamsostek contributions.⁴

In the face of the economic crisis, initial ideas surfaced to improve the social security system in 1999 under Habibie's presidency (Wisnu, 2007: 35). The need to establish a social security system was suggested by the *Dewan Pertimbangan Agung* (DPA), which was an advisory council to the president at that time,⁵ and was formulated as a strategy to help overcome the financial crisis. In a letter to the president, the DPA highlighted the need for a social security system which covers the whole population, and voiced concerns regarding the existing agencies, which were profit oriented (DPA, 2000). The letter also highlights that:

A national social security system is needed to gather funds to support the Indonesian economy and reduce the dependency from overseas loans, as an emancipatory tool in

⁴ In 2012, many of the labour movement demonstrations highlighted the issue of contracted and outsourced labour in which workers can be fired without severance pay.

⁵ This council no longer exists.

the people's economy, to encourage feelings of togetherness, care and social solidarity, and as an instrument for the state's economy.⁶

In terms of legislative initiatives, the MPR, or the national consultative assembly, was significantly active during this period, and made amendments to the UUD 1945 constitution which stipulates that the state is responsible for establishing a social security system. In terms of social security, the constitution stipulates that:

Article 28H

(3) Every person shall have the right to social security in order to develop oneself fully
Article 34

(2) The state shall develop a system of social security for all the people and shall empower the inadequate and underprivileged in society in accordance with human dignity.⁷

However, the social security system took some time to move forward, and efforts intensified under President Megawati. In 2002, Presidential Decree No. 29 was issued to create a Task Force designed to prepare a draft legislation and analysis “for a social security system that provides effective social security to all” (ILO, 2008: 25). After many years of planning and consultations, the reform finally materialised under the *Undang-Undang Sistem Jaminan Sosial Nasional (SJSN) Law 40/2004* (hereafter referred to as the NSSS law (National Social Security System law)) in October 2004. It is interesting to note, however, that the NSSS Law was the last act signed by President Megawati, which may have been part of Megawati's political strategy. According to Rieke Dyah Pitaloka, a current PDI-P member of parliament, “President Habibie, President Gus Dur, and President Megawati, were quite responsive towards the issue of NSSS Law”. She further claims that all three previous governments agreed on the formation of a Social Security Providers as a non-profit-oriented public entity (Investor Daily, 2011b).

The NSSS law represented a milestone that paved the way for Indonesia's serious efforts to operationalise a more inclusive welfare system. The law discussed five protection schemes to be covered under social insurance, namely healthcare, work-related accident insurance, old-age provident fund, pension benefit, and death insurance. The new national law ultimately

⁶ Dewan Pertimbangan Agung (DPA) letter 30/DPA/2000 to the President of the Republic of Indonesia. A copy of this letter was taken from SULASTOMO 2011. *Sistem Jaminan Sosial Nasional: Mewujudkan Amanat Konstitusi*, Jakarta, PT Kompas Media Nusantara..

⁷ Certified translation of the revised UUD 1945 from
http://www.humanrights.asia/countries/indonesia/countries/indonesia/laws/uud1945_en.

differed from past practices as social protection was now to be organised under a non-profit public entity, and aimed to provide wider coverage (ILO, 2008: 25), indicating a fundamental change in the country's welfare system.

However, the social security reforms went into relatively stasis after Yudhoyono became president in 2004. In particular, between 2004 and 2010 little was actually done, and this period was considered a vacuum in terms of moving forward with the reforms. In this light, an important question can be asked: Why did the government choose this type of reform in 2011, and what has changed in the political constellation to enable the reform to move forward?

According to several interviews with academics and members of civil society, the inaction of the Yudhoyono government with respect to implementing the NSSS law was mostly due to the fact that the NSSS law was a product of Megawati's regime. Even PDI-P, as the formal opposition during that period, as to my knowledge, did not demand a follow-up on the implementation of the NSSS law until recent years. Only in 2009 was a new series of efforts to revitalise the law launched by civil society. Labour unions in particular took interest in the issue, and formed an alliance called *Komite Aksi Jaminan Sosial* (KAJS – hereafter referred to as the Social Security Coalition), which is a coalition of 67 organisations including labourers, farmers, fishermen, university students and academics. On 1 May 2010, KAJS took to the streets in Jakarta and demanded the implementation of the NSSS law.

The alliance also took matters through the judicial system by filing a citizen lawsuit against the Yudhoyono government for not implementing the NSSS law, and demanded legislation for the establishment of a *Badan Penyelenggara Jaminan Sosial* (Social Security Providers). In July 2011, the Central Jakarta District Court found the government guilty of not implementing the NSSS law, and demanded that the government establish a public agency to implement it (Kompas, 2011). Though none of the accused, which included the president and several of his ministers, appeared in court, the verdict gave KAJS a stronger claim in demanding the implementation of the NSSS law. KAJS also had the support of several parliamentarians, mostly from PDI-P and several other parties.

In 2010, the national parliament took the initiative to make the draft Social Security Providers legislation as a follow-up to the NSSS law. Discussions were held under Commission IX

pertaining to labour, population, and health. A special committee was formed to prepare the draft bill, and this was headed by Dr Ahmad Nizar Shihab from the ruling *Partai Demokrat* (PD), which contained 19 members from other parties. Due to the amount of public interest in the bill, the working meetings of the committee were open to the public. This in itself was extraordinary, as work meetings on legislations are usually closed.

Discussions on the bill were complex, and many items were included on the agenda; hence, the various meetings took quite a long time. However, the toughest discussions were not necessarily conducted among the political parties. According to an interview with a PDI-P member of parliament⁸ who was in the special committee for the Social Security Providers bill, though several members of parliament from other parties were initially against the bill, gaining understanding and support from them was not difficult. As observed by the various informants, the most contrasting discussions were visible between the parliament and the government. The government was particularly hesitant to discuss the bill further, and did not initially want details on the Social Security Providers to be decided in the bill. Instead, the government preferred to just officially declare the establishment of the Social Security Providers.

During the parliament meetings, the government team was headed by the Minister of Finance and consisted of representatives of seven other ministries, namely: Justice and Human Rights Ministry, National Development Planning Board (*Bappenas*), State-owned Enterprises Ministry, Social Services Ministry, Manpower and Transmigration Ministry, Administrative Reforms Ministry, and the Ministry of Health.

A reoccurring theme in several of the interviews highlights that the main concern voiced by the government was the merging of PT. Askes, PT. Jamsostek, PT. Taspen, and PT. Asabri into one public entity, and the move to change the enterprises into a single trustee-based entity. Among the strongest suspected reason for this hesitation is the loss of political control over funds. Some of the informants even suggested that these enterprises secretly function as a money machine for the ruling political parties; in other words, those in power control the funds compiled from the enterprises. These assumptions are strong allegations of misconduct, and going into depth to verify the truth behind them is outside of the scope of this study.

⁸ Interviewed on 14 January 2013.

Several cases have been taken up in the media over the years regarding allegations of corruption, particularly in terms of Jamsostek funds.

The legislation process outlined above was unique for several factors. Firstly, the government itself needed much cross-coordination between the different agencies and ministries. In an interview with a department officer⁹ handling the Social Security Providers transformation, such massive coordination was highlighted as being relatively unusual in relation to how Indonesian bureaucracy works. In contrast, previous legislation, Social Welfare Law 11/2009, which discussed how to approach the issue of the needy and poor, needed relatively much less coordination, as it was primarily handled by the Coordinating Ministry of Social Welfare and the Social Service Ministry (Mas'udi and Hanif, 2010). Secondly, the discussions regarding the legislation were lengthy and continued over many meetings, and hence can be interpreted as a politically sensitive topic. Thirdly, civil society, particularly the Social Security Coalition (KAJS), continuously “escorted” the legislative process, and was present in many of the discussions as observers. Fourthly, individual politicians stood out most in terms of supporting the bill, such as PDI-P’s Rieke Dyah Pitaloka and Surya Chandra Surapaty; and, there was relatively little constraint from within the DPR fractions. Finally, the government was the most hesitant party towards the Social Security Providers bill.

In 28 October 2011 before midnight, the bill was finally passed by the house of representatives and lead to the adoption of the new Social Security Providers Law 24/2011, which was put in place to administer national pensions, healthcare and social insurance (Sihaloho, 2011). Among the immediate reasons for passing the bill at that time, despite the tough negotiations, was that if a decision was not made immediately, the bill would have been passed on to the next parliamentary period, leaving the future of the bill uncertain.¹⁰ The final outcome of the Social Security Providers Law 24/2011, however, is viewed as being full of compromises,¹¹ and far from ideal with respect to creating the welfare system.

In the end, the law did not call for the merging of the four enterprises into one Social Security Provider. Instead, the new law stipulated the transformation of PT. Askes into BPJS I, or Health Insurance Provider, which is intended to deal with health insurance for all Indonesian

⁹ Interviewed on 10 January 2013.

¹⁰ Interview with PDI-P member of parliament on 14 January 2013.

¹¹ Interview with A.A. Oka Mahendra on 9 January 2013.

residents, and due to start operations 1 January 2014. The law also called for the separate transformation of PT. Jamsostek into BPJS II, or Worker Social Security Provider. BPJS II will focus on issues concerning work injury benefits, death benefits, provident funds, and new function labour pensions, and will begin its operations by 1 July 2015. On the other hand, the civil service and military pension agency will eventually be merged into the Worker Social Security Provider in 2029. However, because the merge is quite far off, the established pensions are more or less untouchable with respect to any immediate reforms.

In the following section, several actors in the social security reform will be discussed with regards to their interests and constraining influences.

National cabinet

Aside from the comprehensive coordination needed within the government bureaucracy, the government voiced several other substantive concerns regarding the reform. The main argument put forth by the government related to the need to carefully assess the transformation of the four State Owned Enterprise (SOE)s into BPJS. According to the Minister of Justice and Human Rights, the funds in the SOEs, which are estimated to be worth Rp 190 trillion in total (around NOK 107 billion), cannot be easily transformed, as they consist of the people's money in the form of deposits and securities (Oktaviani, 2011) .

Institutionally, all healthcare insurance management functions will be transferred to Askes, which originally only catered to roughly 17 million civil workers.¹² With the eventual responsibility of catering to all 250 million residents, Askes faces a tough job to increase its services nationwide. During the transformation stage into the Social Security Provider for Healthcare, efforts will be coordinated by the Ministry of Health, which will also coordinate cross-agency efforts of 21 other governmental agencies.

An institutional challenge is also faced by Jamsostek, though its scope of responsibility will be extended to a more limited segment of the population compared to Askes. Hence, the health and social security reform itself faces a significant constraint to establish a merged

¹² Interview with Prof. Hasbullah Thabrany on 11 January 2013.

system in terms of the technicalities within the bureaucracy. The Worker Social Security Provider transformation will be lead by the Ministry of Manpower and Transmigration.

Though the Social Security Providers law was adopted, the government continues to be a rather hesitant actor in the reforms, as it can be seen from the hesitance to issue supporting regulations for Social Security Providers law. Preparations for various supporting regulations have been ongoing; however, as of early 2013 no regulations have been formally issued by the government, despite the relatively limited time span left to launch the Social Security Providers. Some progress has been made, with the first implementation law being issued on 23 January 2013, which discusses in more detail the implementation of the healthcare reform. According to several interviews, it is expected that several other regulations will also need to be issued for a fully-fledged health and social security reform to be implemented.

Trade unions

The Social Security Coalition (SSC) – or *KAJS*, which is mainly driven by several trade unions, has been active in conducting demonstrations and allocating pressure for the NSSS Law to be implemented. Although these trade unions have been relatively excluded from political processes in the past, during the drafting process of the Social Security bill, inputs were sought from the SSC. However, interviews with trade union officials¹³ indicates that the SSC remains relatively excluded from the formal policy-making processes of welfare governance; hence, they must continuously build their own channels of influence in the bureaucracy. The SSC adopted a relatively unique strategy in structuring their movement, namely by widening their support base to non-labour organisations, as they realised that the issue of social security concerned the society as a whole. The SSC is supported by 67 elements from various groups, including university students, farmers, fishermen, housewives, and house maids. Such broad support within the alliance allowed for an increased momentum, which created pressure for the further expansion of public social commitments. At the same time, it is noted that the alliance seems to be less solid, in that support from differing groups such as farmers and fishermen is relatively ad hoc, partly due to physical distance between the locations of these organisations.

¹³ Interviews with trade union officials from KSPI and OPSI on 26th and 27th December 2012

Due to the historical context, the trade union movements in general remain highly fragmented, as acknowledged in the interviews with both union member and scholars. This is expected to remain the case in the near future, according to the predictions of the informants¹⁴. Thus, instead of uniting trade unions structurally, the SSC bases collaboration on specific issues, of which it has primarily taken up three main concerns, namely social security, outsourcing, and minimum wage. There have also been recent efforts to coordinate a cooperation between trade union confederations through the establishment of the *Majelis Pekerja Buruh Indonesia (MPBI)*, a collaboration between three major confederation namely KSPI, KSBSI, and KSPSI in May 2012.

Differing trade unions also contribute to several constraining factors towards the social security reform. Originally, the Coalition supported the notion of labour contributions in the social insurance schemes. As stipulated in Social Security Providers Law 24/2011, for formal workers, contributions toward social security schemes will be a joint effort between both employers and workers. However, during the period of the fieldwork, a change of discourse was observed, in that the SSC did not want health insurance premiums to be deducted from workers' own salaries; in other words, they prefer not to pay their own health premium. Instead, the SSC stated that they want to continue past practices, wherein employers pay the whole premium.

Aside from the SSC, other trade unions, particularly those gathered in the *Serikat Pekerja Nasional (SPN)*, have strongly opposed the establishment of a Social Security Providers. In a *Kompas* article (20 July 2011), SPN was reported to be against the establishment of the Social Security Providers, as they are satisfied with the current arrangements for the workers through Jamsostek (Kistyarini, 2011). In addition, SPN expressed concerns that funds already in Jamsostek will be used to fund other groups, particularly the poor. They argued that the establishment of the Social Security Providers would serve to transfer the state's social security responsibility onto members of the insurance scheme (Kistyarini, 2011). According to the interviews, there are speculations that SPN is funded directly by Jamsostek, thereby concealing the differing interests involved in the social security reforms.

¹⁴ Interviews with trade union officials from KSPI and OPSI on 26th and 27th December 2012.

During the period of the study, an interesting chain of events occurred which also have important implications on the surrounding context of the welfare debate. In a culmination of various demonstrations and lobbying measures, minimum wage was successfully brought onto the agenda by trade unions, and led to Jakarta's minimum wage being increased by a staggering 40% in late 2012 (Bellman and Sentana, 2012). The rise in minimum wage reportedly created a chain effect to other provinces, with many other local unions following suit and stimulating an increase in their own provinces, though the increase was less significant. Following these events, Sofyan Wanandi, the chair of Apindo, which is the national employers organisation, announced its exit from the national tripartite forum LKS due to disappointment in the government for "continuously taking decisions beyond what has been agreed" (Kompas, 2012). The exit of employers created concerns regarding the impacts on the overall industrial relations in Indonesia. As the debate continues to unfold, the politics behind the recent wage increase would in itself be an interesting subject for further study.

Employers

During the drafting of the Social Security Providers bill, the employers organisation originally rejected the merging of Askes, Jamsostek, Taspen, and Asabri, calling instead for the continuation of the past social security arrangements. After the Social Security Providers law was passed, Apindo continued to challenge the reform, together with SPN, by announcing their intentions to file a judicial review of the law through the Constitutional Court (Sijabat, 2011). From an interview with an Apindo member sitting in the National Social Security Council (DJSN)¹⁵, employers seemed to be relatively support the new reform, as long as their contributions will not be used to fund the poor. Another concern of employers is the dualism in the current system, in which labour law 13/2003 stipulates severance pay and the social security law on pensions. From the interview, however, employers seemed to be less worried with the social security reform. Instead, minimum wage was a more vital issue within industrial relations during that time as the effects were immediate for businesses.

¹⁵ Interviewed on 7 January 2013.

Fiscal constraints

At the time of writing, the toughest discussions in the implementation of the social security reforms relates to the financing of the reforms, as many poor participants will not be able to pay for their own premiums. The biggest questions surround how much the government should pay for insurance premiums for the poor. The amount is particularly crucial, as it implicates the standard of the healthcare reforms, such as setting insurance premiums standards and calculations on allocated resources to sustain the healthcare system. As stipulated in the NSSS and Social Security Providers law, the government is responsible for financing insurance premiums for the poor, who remain among the biggest bulk of beneficiaries. After the adoption of the welfare bill, differing institutions provided inputs to the government on the most optimal premium amounts, with quite varying calculations. In the past, *Jamkesmas*, the previous health programme for the poor, relied on calculations in which one participant costs roughly Rp 6,000 per month. This amount proved to be too little to support the delivery of services to the poor. Initial calculations from the Coordinating Ministry for Social Welfare suggested that premiums should be around Rp 22,000 (Tarmizi, 2012). However, the final decision was stalled at the Ministry of Finance, and even as late as December 2012, the formal premium had not yet been formalised. However, there are indications that the Ministry of Finance has agreed to Rp 15,000 per person.

From the overall historical analysis, it can be observed that a new style of state-based welfare provision seems to have occurred after Suharto. More direct interventions to assist the poor were adopted as a response to the Asian financial crisis (Torheim, 2012). Particularly in the social security reforms, progress has been relatively slow to materialise, though initial ideas have occurred in the early years of democratisation. However, social security reforms were revived with the adoption of the Social Security Providers Law in 2011. The activism of trade union together with several political elites has arguably played a contributing role in adding pressure towards the expansion of state-based social security arrangements.

4.2 The Current Social Policy Mix

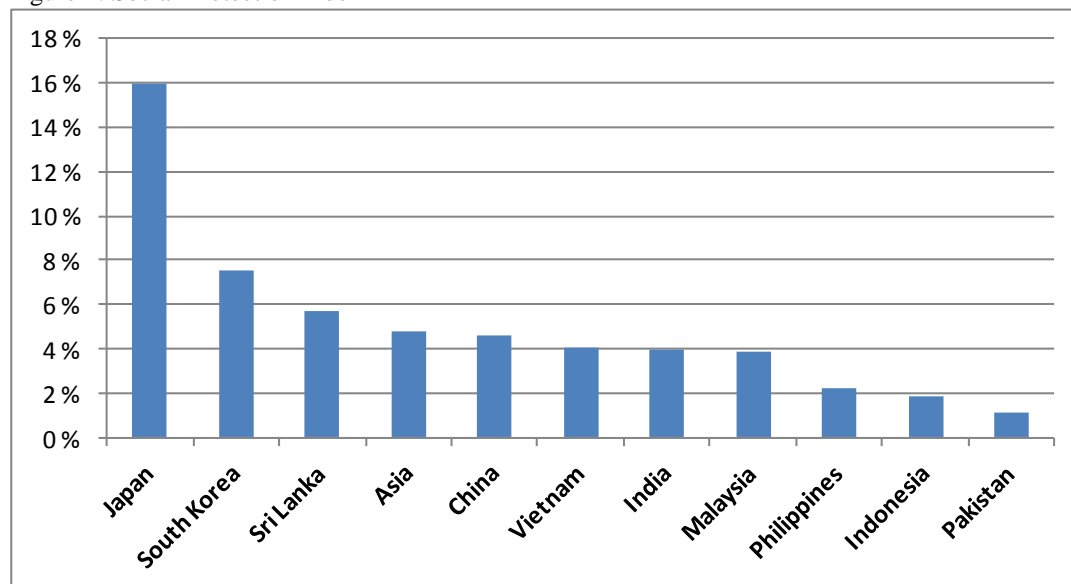
In order to better understand the characteristics of the Indonesian welfare regime, the social security reforms will be considered within the context of other social policies. As there have

been relatively limited efforts to characterise the recent welfare developments in Indonesia, the information on the various policies related to welfare will be assembled in the following sections – in this thesis, these are collectively termed the “social policy mix” namely, social expenditure, pensions, health, education, social security, labour policies, and social assistance policies. Each policy will be examined in order to evaluate the extent of the state’s role and commitment, and the potential impact on welfare outcomes.

4.2.1 Social expenditure

Firstly, an overview of social spending can give an indication of the Indonesian welfare regime commitments. Indonesia’s social expenditure is relatively limited in comparison with that of other Asian countries, based on the Asian Development Bank’s (ADB’s) Social Protection Index (see Figure 2). The Social Protection index divides a country’s social spending by the potential beneficiaries, and is shown in terms of percentage GDP per person. It must be underlined that social spending in ADB terms primarily concerns social programmes that are targeted towards the most vulnerable groups, and are in the form of cash or in-kind transfers (Baulch et al., 2008: 13). Hence, programmes related to basic infrastructure, health, and education are not included in this calculation.

Figure 2: Social Protection Index



Source: Asian Development Bank (Baulch et al., 2008)

Compared to countries in Southeast Asia, Indonesia's spending on health, which was 0.6% of the GDP in 2011 (see table 3), is markedly less than that of Thailand, which was around 1.5% of the country's GDP, and Malaysia, which was close to 1.9% of its GDP (Asian Development Bank, 2012). This is in contrast to those of advanced economies, such as Norway's health expenditure in 2003, which was estimated to be 6.5% of its GDP (Castles, 2009: 49).

Table 3: Indonesian State Budget based on GDP Percentage

	1990	2000	2005	2010	2011
Revenues and grants	21.6	14.8	17.9	15.5	16.3
Tax revenues	11.3	8.3	12.5	11.2	11.8
Income tax	4.2	4.1	6.3	5.5	5.8
Value added tax	4.2	2.5	3.7	3.6	3.7
International trade taxes	1.5	0.5	0.5	0.4	0.7
Non taxes revenues	10.3	6.4	5.3	4.2	4.5
Government expenditures	20.3	15.9	18.4	16.2	17.4
Central government expenditures	16.8	13.6	13.0	10.8	11.9
of which: Personnel	3.6	3.1	2.1	2.3	2.4
Interest payments	2.5	3.6	2.4	1.4	1.7
Subsidies	1.8	4.5	4.4	3.0	4.0
Inter-government transfers	3.5	2.4	5.4	5.4	5.5
Education spending	-	-	2.8	3.5	3.6
Health spending	-	-	-	0.5	0.6
Social programmes	-	-	0.9	1.1	1.0
Infrastructure	-	0.8	0.9	1.5	1.7
Public deficit	1.2	-1.2	-0.5	-0.7	-1.1
Public debt	-	88.8	47.3	26.1	24.3

Note: State government includes central and regional governments

Source: Ministry of Finance, as cited in OECD Economic Surveys, Indonesia, September 2012, p. 16.

From table 3, education receives the most significant amount of the Indonesian government's budget in comparison to other areas of social expenditure, such as health and social programmes. Similar to other Asian countries, education receives a relatively bigger portion of the government's expenditure. In 2011, education spending in Indonesia was estimated to account for 3.6% of GDP. In comparison, education spending in 2011 was estimated to be 3.7% of GDP for Thailand and 5.6% of GDP for Malaysia (Asian Development Bank, 2012).

After the financial crisis of 1998, public debt or debt acquired by the central government was significantly high, at 88% of the national GDP. With Indonesia's recent economic growth, public debt has continually decreased since 2000, and now is estimated down to 24% of the GDP. This can indicate that there may be much less financial constraint in the government's fiscal room compared to the days after the financial crisis. Based on an analysis of OECD, the Indonesian government is currently running at a public deficit of 1.1% of the country's GDP, meaning that the revenues are lower than what is being spent, though this may be considered to be low (OECD, 2012: 16). A major part of government expenditure that is often debated is energy subsidies and is estimated to take up 19 % of the central-government's spending (OECD, 2012: 15). The subsidies are often argued to be burdensome and international financial institutions, particularly those from the World Bank and ADB, continue to exert pressure to decrease these subsidies.

Based on the overall spending pattern, an increase can be seen in terms of the resources allocated to education, health, and social programmes after 2000, hence indicating somewhat an expansion of state commitments on welfare policies in Indonesia. Education spending is much more significant in comparison to health and social programmes spending. Increased spending has also been accompanied by a reduction in public debt and a positive growth in the economy. At the same time, welfare spending, excluding that spent on subsidies, still accounts for a relatively small amount of the total government expenditures in comparison with several other Asian countries.

4.2.2 Pensions

It is predicted that Indonesia will reach a demographic bonus peak around 2020-2030, meaning there will be strong young workforce to support the population during this period, but a reverse trend is predicted to follow (BKKBN, 2012). Hence, the establishment of a public pension will have strong implications on the welfare of the Indonesian future ageing population. So far public pensions in Indonesia are relatively limited in scope, and ILO estimates that only 13% of the population is covered by some sort of pension or old-age benefits (Satriana et al., 2012: 32). PT. Taspen and PT. Asabri provide services to manage pensions for civil servants and military personnel. For workers in the formal sector, a provident fund scheme was established through Jamsostek, called *Jaminan Hari Tua*. The

Old-Age Provident Fund is a mandatory old-age benefit that takes the form of compulsory savings with a defined contribution system. However, the provident fund is often considered to be quite insignificant, due to the very minimum amount it accumulates. In addition, this fund can be accessed at any time, including before pension age. There are other programmes in place, which is administered by the Ministry of Social Affairs and aimed at vulnerable elderly persons (*Jaminan Sosial Lanjut Usia - JSLU*) and persons with disabilities. However, coverage remains very low, and faces several targeting issues. Subsidies for elder homes are also considered to be too small to cover daily expenditures per person (ibid: 33).

Currently, the pension scheme for civil servants and the military relies on a pay-as-you-go system, and hence benefits are paid from the state budget. In 2010, the government paid out about Rp 51.2 trillion (about 0.7 % of the GDP) for pension benefits (Satriana et al., 2012: 32). According to Sulastomo, who is considered to be among Indonesia's most prominent social security and pension experts, NSSS Law also implies that the current pension system must shift into a fully funded one, hence reducing constraints on the government's spending budget (Sulastomo, 2011).

With the adoption of NSSS Law on social security reforms, the establishment of a national pension scheme for all workers became a milestone of its own. This in itself represents a significant expansion of social commitments, which will no longer be limited to civil service and formal workers, but will also include informal workers. Participation will, however, only be compulsory for formal workers, and will be optional for those in the informal sector, according to the interview with a staff¹⁶ dealing with social security reforms at the Ministry of Manpower and Transmigration. Whether those in the informal sector will opt to voluntarily participate in the scheme is still an open question. Another significant change in the reform includes a shift from a defined contributory system to a defined benefit system, where pensioners will regularly receive a fixed pension amount.

¹⁶ Interviewed on 10 January 2013

4.2.3 Health

Indonesia has undergone significant improvements in public health. Life expectancy at birth in 2011 was estimated to be 69.3 years, compared to 57 years in 1980 (UNDP, 2011: 2). The infant mortality rate has also significantly reduced, from 6.8% in 1991 to around 3.4% in 2007 (Bappenas, 2012: 47). In terms of health provision, the health sector currently consists of both public and private providers, which are funded from a combination of sources. In providing health services to Indonesian citizens, the government budget for health is considered to be the backbone of the system and is allocated to both personal and public healthcare (GTZ, 2008: 32).

After the introduction of government decentralisation in early 2000, local governments were given the responsibility to contribute financially to health. A study by Kristiansen and Santoso (2006) studied the impacts of decentralisation on regional autonomy relating to health provision in four districts in Indonesia. Although the samples may not reflect the condition of all areas in Indonesia, several important points can be taken from the study, namely that decentralisation led to changes towards more market-based services, wherein local health centres become an arena for earning profit. It was also argued that private actors play an increasing role in local areas, which reduces concerns for preventive healthcare and service for the poor (Kristiansen and Santoso, 2006:256-257).

Table 4: Hospital Ownership in Indonesia, 2007-2011

Ownership of hospitals	2007	2008	2009	2010	2011
Ministry of Health and Local governments	477	509	552	585	614
Police and military	112	112	125	131	134
Other ministries and government agencies	78	78	78	78	80
Total number of publicly owned hospitals	667	699	755	794	828
Total number of private- and non-profit-sector-owned hospitals	652	673	768	838	893
Total	1319	1372	1523	1632	1721

Source: Hospital Development Unit, Ministry of Health (2012), p. 175

Table 5: Total Number of Hospital Beds in Indonesia, 2007-2011

Ownership of hospitals	2007	2008	2009	2010	2011
Ministry of Health	8777	9044	9131	8873	9724
Provincial government	13182	13605	14029	13854	14065
Districts and city government	37575	41285	47811	43341	52536
Police and military	10836	10907	11821	11771	12272
Other ministries and governmental agencies	6851	6643	6747	6925	8535
Total number of public hospital beds	77221	81484	89539	84764	97132
Total number of private- and non-profit-sector hospital beds	45074	47266	52064	52306	52694
Total	122295	128750	141603	137070	149826

Source: Hospital Development Unit, Ministry of Health (2012) , Annex 5.5

Nationally, the private sector is playing an increasing role in health services with respect to catering to the growing middle class, as indicated by the increasing number of private hospitals between 2007 and 2011 (Table 4). The expansion of the private sector provision is not only enjoyed by the rich and middle class; people from the poorest quintile are also argued to rely on it (Hayes and Harahap, 2011: 217). However, in terms of the number of hospital beds, as shown in Table 5, public health facilities continue to provide the significant bulk of healthcare provision.

In addition to considering the macroeconomic data on health coverage, it is vital to understand how households cope with illnesses and health-related problems in relation to their economic capacities. In the absence of formal mechanisms of insurance, households tend to rely on informal coping strategies. However, there are often severe economic consequences when informal coping mechanisms are exhausted or unavailable. In several interviews, the informants described this using the colloquial phrase “*sakit sedikit jadi miskin*” (SADIKIN) which roughly translates to “falling sick makes you poor”. A study by Pradhan and Prescott also found evidence that figures on out-of-pocket health expenses in Indonesia are highly skewed, as they indicate that much of the population can suffer extreme expenditure in comparison to income levels (Pradhan and Prescott, 2002: 443-444). Strategies used to cope with such extreme expenditure may include relying on current income and social networks, the usage of productive assets, and incurring debt (Sparrow, 2011: 231). In terms of small health shocks, there is some evidence that households are able to insure themselves. However, when faced with more chronic illnesses and severe health problems, informal coping mechanisms are relatively ineffective, and fail to insure the sick (ibid).

The primary public healthcare centres in Indonesia, also known as *Puskesmas*, are financed by the government and are located in districts, sub-districts and villages nationwide. These facilities are the frontline healthcare providers in terms of promoting public health initiatives, and providing primary healthcare services to the community. The government also provides public hospitals in all districts for the provision of secondary and tertiary healthcare. However, it is important to note that access to healthcare services is not evenly spread throughout the country. A major challenge in the health care system relates to disparities in terms of access to and resources available from health services. The poor in particular significantly lose out, as there is a great inequity of subsidies, in addition to geographical and cultural barriers reducing their access to public hospital services (Thabrany, 2008: 3, Rokx et al., 2009:87). In terms of human resources, there is a relative lack of supply in terms of doctors in proportion to the population, compared to other countries with comparable income levels (Rokx et al., 2009: 20)

Table 6: Health Insurance Coverage in Indonesia

Type of Health Insurance	Persons
Health Insurance for civil servants	17 274 520
Military/police	2 200 000
Member of national health scheme (Jamkesmas)	76 400 000
Member of JPK Jamsostek	5 600 000
Member of provincial health scheme	31 866 390
Self-insured	15 351 532
Member of commercial Askes	2 856 539
Total	151 548 981

Source: DJSN, Roadmap to National Health Scheme, 2012, p. 48

After the financial crisis, a variety of developments occurred within the health sector that served to increase coverage. Among the biggest health programme is Jamkesmas (originally known as Askeskin), which is a free healthcare programme for poorer families. The programme is reported to target 76 million people (see Table 6), and was established in 2005. The programme is managed by PT. Askes, which also manages health insurance for civil servants, and has been seen as a promising step by which to increase healthcare coverage. According to a study conducted in 2010, the Health Insurance for the Poor programme has been relatively successful in targeting the poor who are most prone to catastrophic out-of-

pocket health payments, and also in increasing the utilisation of public outpatient care¹⁷ (Sparrow et al., 2010: 10-14). At the same time, there have been indications of the inferior quality of public healthcare, and discrimination relating to services for beneficiaries. In addition, beneficiaries often do not know what services they are entitled to, and lack access to health facilities (The Economist, 2012b: 21).

According to a report by the Indonesian Social Security Council (DJSN), a total of 151 million people are members of some sort of health insurance scheme, implying that the remainder – more than 81 million people – are not covered under any health insurance arrangement (see Table 7) (Mundiharno and Thabrany, 2012 : 48). In comparison to countries within Asia, health seems to have a relatively low priority in the Indonesian budget allocations, as public health spending took only a 5.3% budget share in 2006 (Rokx et al., 2009: 127). It is estimated that about 33% of total health expenditure consists of households' out-of-pocket health spending, which is a substantial share of the cost of healthcare (Sparrow, 2011: 222).

After the adoption of NSSS Law 40/2004 and Social Security Providers Law 24/2011, it is quite clear that Indonesia is aiming to shift from an out-of-pocket system, in which households pay for their own medical expenses, towards a social insurance model for healthcare provisions. As with any insurance model, risk will hence be pooled, and is financed through the premium paid. However, the financing of Indonesian national health insurance is not only based on the contributions made by the participants, but also relies on the government subsidising premiums for the poor. Hence, in practice, financing for health insurance is both tax based and contribution based. As stipulated in the NSSS law, the provision of health services under the reforms will also be a joint effort from both public and private facilities.

Under the new system, health facilities will be paid a fixed amount of tariff for each individual per month, where it is hoped that facilities will try to be more cost efficient (Mundiharno and Thabrany, 2012 : 95) and shift their focus towards more prevention-oriented services. Prior to the implementation of the new social insurance laws, health facilities relied on a fee-for-service system, which may have lead to stronger incentives to

¹⁷ Healthcare service under which patients are not admitted into a health facility.

focus on services for treatments. It is also expected that the utilisation of health services will be based on a referral system, where general practitioners will play a bigger role in frontline of health services and decide whether a patient needs further medical treatments. Without institutionalising the Health Insurance Provider, patients can continue to freely choose the healthcare professionals and even medical treatment they prefer, without necessarily needing a referral from a general practitioner.

Currently, healthcare benefits also vary, depending on the different insurance schemes people are under. Under Jamsostek, treatments for catastrophic illnesses such as cancer, and procedures such as heart surgeries and haemodialysis are not covered. The local health scheme, Jamkesda, does not explicitly say that it covers such treatments either (Mundiharno and Thabrany, 2012 : 78). Under the new system, a major principle in the provision of health is based on principles of equity. This implies that insurance participants should have equal access to treatments and services, which will also include the treatment of catastrophic illnesses. However, according to an interview with Professor Thabrany¹⁸, a known expert in Indonesian public health, there are indications that during the initial phases of the implementation social health insurance, there may be a differentiation in terms of the classes of hospital accomodation, though the final goal is to provide a prime class service for all. Differentiation is more related to the comfort of the facilities provided, where those who pay a higher premium can share their hospital room with fewer patients. Such considerations also aim to create incentives for upper class participants to be active members of the social health insurance scheme.

Another significant change of the National Social Security Scheme is the shift away from a means-tested system to one that provides universal coverage. This implies that the healthcare system cannot pre-select participants based on the medical conditions they have. The healthcare system cannot differentiate between the poor and the rich in terms of the medical benefits they receive. It is important to note, however, that these are recent developments that have been planned out according to laws that have been laid out, media reports, and interviews with relevant practitioners. The actual implementation will be a development to follow.

¹⁸ Interviewed on 11 January 2013

In sum, with the establishment of the BPJS I, or the Health Insurance Provider, in 2014 implies a significantly increased role of the state in health provision. The state will have an important role, not only as a regulator, but also in providing facilities and not the least, administering the social insurance. Another increase of the role of the state also is the amount of spending that must be allocated to subsidise the poor. In the same time, due to the gap in health facilities, private sectors may not necessarily lose out.

4.2.4 Education

As observed in the social expenditure analysis, education can be considered one of the main social policies of the current regime. With a strong youth base in the population, where roughly 37% is under 19 years old (BPS, 2010), education is a particularly important strategy for the country's development. The literacy rate is estimated to be 92,81 % from the population and the average year of schooling estimated to be 7,9 years in 2011 (BPS, 2012: 39-40). The first nine years of education is compulsory in Indonesia, and by law is free; this policy was already in place in the Suharto era. However, it is argued that enrolment is not fully optimised, and in practice collection of school tuitions were a common practice in the schools. Indonesia's education system has also undergone some significant changes in terms of policy and curriculum. In 2005, the government launched the Education for All National Plan, in which it re-committed to abolishing school fees for both secondary and primary education (UNESCO, 2010: 6). The re-commitments of a free primary education in particular is argued to serve in enhancing Yudhoyono's campaign to gain popularity and votes from lower and middle class for 2009 elections (Rosser et al., 2011: 17).

From a national strategic perspective, education is stipulated in the medium-term national development plan (RPJM) 2010-2014 as one of the top priorities by which to attain economic growth (Government of Indonesia, 2010: 51). The strategies include increasing enrolment for all levels of education, where curriculums are developed nationally but also complemented regionally. The *Bantuan Operasional Sekolah* (BOS) programme is among the main programmes administered by the national government to reduce the burden of school fees, and is allocated to schools based on the total number of students enrolled (MONE, 2012) .

One of the biggest reforms in the education sector is also related to government decentralisation. Since decentralisation in 2001, the responsibility of education provisions came under the control of local governments. These responsibilities include both managerial and financial arrangements relating to education administration (Kristiansen and Santoso, 2006: 513). Though the policies were intended to positively bring the power of decision making closer to the people, the impacts have been rather ambiguous. The redistribution of authority has been perceived to be rather problematic in relation to issues such as a lack of coordination between central and local education offices. In addition, an uneasy relationship between the Ministry of National Education and local authorities is considered to be a major challenge in governing the education system (Suryadharma, 2011: 180-181).

4.2.5 Social security and labour policy

An important aspect with regards to understanding welfare policies in Indonesia is to examine the social security and employment strategies within the context of the country's economic growth. Indonesia is considered to be a relative latecomer in the East Asia region in terms of industrialisation and labour-intensive industries, which only started in the 1980s. Prior to this period, focus was given towards a more resource-based economy due to the oil price hike in the 1970s (Aswicahyono et al., 2011: 114). After rebounding back from the 1998 financial crisis, Indonesia's economy has been growing strongly in recent years. However, it is argued that the strong growth has produced relatively few employment opportunities. Some argue that increased labour market regulations have resulted in slower industrial employment (ibid), hence creating a "jobless growth" phenomenon and affecting poverty reduction. It is also argued that Indonesia has a declining international competitiveness, employment levels were less responsive to wage changes, hence resulting in slower growth (ibid: 130). A report by Mckinsey, a business consulting firm, however, argues that labour productivity in Indonesia has been continuously increasing in the past decade, and is considered to be among the highest in Southeast Asia (Oberman et al., 2012: 18). The report also suggests that increased labour productivity is a main driver in Indonesia's economic growth (ibid).

There are indications of a shift in the employment structure. Labour-intensive industries, such as manufacturing, have come to play a less important role in Indonesia's economic

development. The share of agricultural employment has also been declining (ILO: 2012: 17), and at the same time issues regarding unemployment and weak governance continue to be problematic. Though among the top jargons of Indonesian development documents calls for pro-job policies, there are some paradoxes in the way development is played out. Aside from the empirical indications of jobless growth, recent trends since 2003 show that the banking sector has mainly provided credit to sectors that tend to absorb less workers (Prasetyantoko, 2012: 36). There has been a positive increase in sectors such as trade, finance, and service, however, their ability to employ workers is significantly lower than those in sectors such as agriculture and manufacturing.

According to ILO's recent annual analysis on labour trends, employment has grown thanks to developments in the services sectors. At the same time, economic growth remains significantly uneven in Indonesia, and is concentrated in several provinces – particularly in Java (ILO, 2012: 5-9). The majority of employment in Indonesia remains in the informal sector; in 2011, it was estimated that around 62% (or 68.2 million) of the labour force works in the informal economy (BPS, 2011: 3). In general, the informal economy includes self-employed workers, casual labourers, and unpaid workers not protected by labour law (Angelini and Hirose, 2004: 4-6).

The staggering number of workers in the informal sector reflects the limited amount of formal protection and social security that is available in Indonesia. There have been efforts to extend microinsurance to informal workers through *Asuransi Kesejahteraan Sosial* (Askesos), an insurance scheme managed by the Ministry of Social Welfare. However, according to a study by Sirojudin and Midgley, the programme has assisted informal workers to cope with the risks surrounding their livelihood (2011: 121). However, the programme is small in scale, and pays a limited amount of benefits.

Under the Social Security reforms, Jamsostek, being the main state-based work insurance provider, will be transformed into *BPJS Ketenagakerjaan* (Worker Social Security Provider). Jamsostek currently insures formal sector workers in enterprises with more than ten workers, but covers roughly only 5 million workers. At Jamsostek, four different forms of insurance are provided, namely health insurance, work-related accident insurance, life insurance, and an old age provident fund. As health insurance will be transferred to Askes functions, table 7 gives a description of the insurance schemes that will possibly be passed on to the new

Worker Social Security Provider. With the social security reforms, the insurance scheme will cover all workers, including those in the informal sector, and will start operations by 1 July 2015. The reforms will also include the establishment of a public pension fund for workers, which will be managed by the Worker Social Security Provider. According to information from the Ministry of Manpower, the various insurance schemes will be paid as a joint effort between workers and employers. Workers in the informal sector, or those who do not receive a regular wage, will pay a specified sum for each insurance programme (MoMT, 2012: 9-10).

Table 7: Labour Insurance Schemes under Jamsostek

Type of Insurance	Definition	Benefits	Dues
Work-Related Accident Insurance	To insure against work-related injuries and provide compensation and rehabilitation for: <ul style="list-style-type: none"> accidents occurring between leaving for work and returning home diseases caused by work as a risk that must be faced by workers when doing their job 	<ul style="list-style-type: none"> Transport costs: max Rp 1,500,000 Temporary work: max 100% wage for four months Medical expenses: max Rp 12,000,000 Disability benefits Rehabilitation costs Work due to illnesses: cover up to three years after end of working relations 	Employers pay: <ul style="list-style-type: none"> Group I: 0.24% of monthly salary; Group II: 0.54% of monthly salary; Group III: 0.89% of wages per month; Group IV: 1.27% of monthly salary; Group V: 1.74% of wages per month.
Life Insurance	A lump-sum given to the heirs of the participants who died (where death is not related to work accidents)	<ul style="list-style-type: none"> Death benefit: Rp 14,200,000 Funeral expenses: Rp 2,000,000 Recurring donation: Rp 200,000/month (for 24 months) 	Employers pay 0.3% of the benefit
Old-age Provident Fund	A substitute for labour income due to loss of job, disability or old age. Held in an old-age savings system and paid as a lump sum when worker reaches 55 years of age	<ul style="list-style-type: none"> According to sum that are saved 	Employers contribution = 3.7% Workers contribution = 2%

Summarised from (PT.Jamsostek, 2010)

Unemployment¹⁹ benefit was originally planned to be included in the social security reform, but was eventually dropped under the National Social Security System Law. Among the arguments for this was that provisions for severance pay are already covered under Labour Law 13/2003. According to the Labour Law, severance pay must be paid out upon termination of employment. Under article 156 of the Labour Law, the amount paid out ranges from a minimum of one month's wage for each year of service, up to a maximum of nine months' wages (President of the Republic of Indonesia, 2003). Severance pay is considered to be a controversial issue in itself, as liberals often claim that such arrangements lead to employment rigidity and stifle the labour market. There are also indications of low

¹⁹ BPS estimates the unemployment rate to be around 7,6 million in early 2012 (BPS, 2012: 23).

compliance to severance pay; one study reveals that only one-third of workers entitled to severance pay receive it, and that they receive an average of only 40% of the pay they are entitled to (Brusentsev et al., 2012: 11).

Labour Law 13/2003 itself is still argued to be to very favourable towards workers, as it prioritises their protection rather than neo-liberal agendas such as labour market flexibility. In Caraway (2004: 42) points out that the final labour law articles covers:

Right to strike, restrictions on outsourcing, limitations on contract labour, payment of wages during strikes over 'normative' issues, a prohibition on replacement workers during legal strikes, higher pay for workers suspended during the labour dispute-resolution process, and higher severance pay. [...] In the new law, the procedure for mounting a legal strike is cumbersome, although less difficult than under previous legislations.

In sum, the labour law institutionalised stronger protection of the political rights of workers, and several welfare rights such as severance pay and sick leave. The law also covers rights to menstrual leave, and maternity leave of three months. State-based insurance schemes are also offered through Jamsostek, though the current coverage is relatively limited. With the social security reforms, coverage will be increased to cover all workers in both formal and informal sectors, which in itself will be a challenging task. Otherwise, there are no significant paid family benefits, indicating that notions towards public regulated policies for productivity and achieving a work-life balance are a rather distant theme. Employment continues to be rather problematic where a majority of workers work in the informal sector despite the economic growth occurring in Indonesia.

4.2.6 Anti-poverty policies

In order to dampen the economic effects of the financial crisis, the government focused primarily on anti-poverty policy, though many of the efforts remain fragmented and lack coordination. Social assistance is a salient strategy of the government in addressing poverty and to some extent addressing inequality. With regards to poverty reduction, there are indications that there have been increased direct interventions by the state in assisting the poor in comparison to the Suharto era (Torheim, 2012). This study finds similar findings as various anti-poverty policies have been institutionalised, marking a shift towards mass-based policies, in particular for the poor. Due to the urgent need to cushion shocks for poor

families, the government launched various social assistance programmes through the *Jaring Pengaman Sosial* (JPS), or the Social Safety Net in mid-1998. These programmes includes employment creation, food security, health and education, with elements of community empowerment (Manning and Sumarto, 2011: 12). Though these measures were initially intended as a relief programme for the poor, as a response to the financial crisis, some of these initiatives are still in operation today, and some have also been expanded. These piecemeal measures were originally funded by loans from multilateral and bilateral donor agencies, in which the World Bank played a particularly significant role through the Social Safety Net Adjustment Loan. The programme provided several initiatives, including measures to boost job creation (labour-intensive programmes, grants, and small-scale credit), and give the poor continued access to basic health services, assistance to obtain food, and educational help so that the children of poor families could still attend school (Perdana and Maxwell, 2011: 276).²⁰ Estimates indicate 11,96 %, or about 29 million people, live under the national poverty line in 2012 (BPS, 2012: 48)²¹.

Programmes directed towards the alleviation of poverty take a small proportion of the government's spending in comparison to fuel subsidies; this policy has been in place since Soekarno's era. Although subsidies aim to lessen the burden of the poor, they are often argued to disproportionately help the rich instead. The subsidies are considered also highly unsustainable when faced with drastically increasing oil prices. Initiatives to significantly reduce the subsidies have been launched by the government since the financial crisis, with the first reduction introduced in 2000. As the subsidies have a direct impact on household consumption and price inflation, they have been a very politically sensitive issue, often leading to strong protests. Reducing fuel subsidies is a complicated issue, however, as a slight increase in the oil price can directly affect prices transportation and prices of goods. Such increases can have severe consequences for the poor. In 2005 the international oil price drastically increased, and the government made significant reductions in fuel subsidies, which caused the price of fossil fuel to more than double (Beaton and Lontoh, 2010: 8).

²⁰ For an overview, see DALY, A. & FANE, G. 2002. Anti-Poverty Programs in Indonesia. *Bulletin of Indonesian Economic Studies*, 38, 309-329.

²¹ The World Bank estimates about 46 million people in Indonesia live under \$2 Purchasing Power Parity a day, in 2010. WORLD BANK 2011. World Development Indicators: Poverty headcount ratio at \$2 a day (PPP) (% of population) .

With the increase in fiscal space following the reduction of fuel subsidies in 2005, the government allocated subsidies to several social programmes to compensate for increased living costs for the poor. Among these subsidies was the *Bantuan Tunai Langsung* (BLT), an unconditional cash transfer targeted towards poor families. In the BLT implementation in 2005, a monthly cash payment of Rp 100.000,00 was paid to 19 million poor households over a seven-month period (Rosfadhila et al., 2011: 1). However, many issues continue to arise regarding targeting, as there have been many reports on leakage payments to non-eligible households, as well as eligible parties failing to gain access to the transfers. Despite the difficulties faced with respect to BLT, the government disbursed another round of cash transfers to poor households as fuel prices increased in mid-2008. BLT in 2008 is considered to be relatively more effective, as fund disbursements are more organised (Rosfadhila et al., 2011: ix).

The BLT unconditional cash transfer programme was argued to be a particularly effective political tool for the Yudhoyono government in winning the 2009 elections. Prior to the BLT programme in 2008, election polls showed a continued decline in support for Yudhoyono and his party. However, when BLT funds began to be disbursed again, and following the announcement of other social assistance measures, popularity quickly bounced back, which contributed to Yudhoyono's re-election (Perdana and Maxwell, 2011). The BLT programme has created much controversy, being criticised as a more politically motivated measure than one that actually helps the poor to overcome poverty and improve their welfare in the long run.

Following the targeting and leakage issues surrounding BLT's unconditional cash transfer programme in 2005, the government launched an alternative measure through the conditional cash transfer programme called PKH (Family of Hope Programme). The aim of this programme is to provide ongoing cash assistance to poor families for education and health. The conditional cash transfer programme was modelled after the Latin American experience, including *Bolsa Familia*, which has been relatively successful in alleviating poverty. PKH targets poor families, but unlike BLT it requires families to fulfil certain obligations with regards to their children's health and education. An example of one of the criteria is that toddlers under three years old must be weighed monthly by the local public clinic to ensure their weight is increasing. Another criteria requires PKH beneficiaries to enrol their children

into elementary and junior high school, with a minimum attendance of 85% (Tim Penyusun Pedoman PKH as cited in Hutagalung et al., 2009: 4).

A major anti-poverty policy is the social assistance programmes under PNPM, where poor communities are provided with block grants to specific development projects (Manning and Sumarto, 2011: 14). The programme was launched in 2007, after combining two earlier programmes aimed at developing *kecamatan* (sub-districts) and reducing urban poverty (Hutagalung et al., 2009:2). Through PNPM, communities receive block grants from the government, and can use the funds to improve various local development areas, including health and education. The programme represents quite a different approach to development, as it allows for community members to make decisions in planning and implementation of each project. This approach has received strong support from multilateral and bilateral development agencies, as it aims to facilitate local empowerment, calls for more transparency and is argued to be more effective in meeting the needs of the locals. There are many different community-driven development programmes under PNPM, ranging from small-scale infrastructure projects to sectoral projects, which are monitored by differing ministries. Over the years, PNPM has widely expanded, and is often fronted as a successful programme by the government for delivering efficient infrastructure, and also lowering corruption.

PNPM's impact towards poverty reduction is somewhat questionable as there are various outcomes that have been reported. There are some indications that the projects suffer from elite capture, where local non-poor actors benefit most from the project management and infrastructures built (Eko, 2012: 384-386). Here elite capture does not mean corruption of funds per se, but rather a manipulation of working committees and the allocation of funds to those within their circle. However a recent study found little evidence for elite capture in overall targeted household programmes (Alatas et al., 2013: 29-30). In addition, though communities can participate in the decision-making process, it is still thought that much of the development is money-driven, rather than aimed at developing community emancipation (Eko, 2012: 401). Another concern is that much of the projects go to infrastructure building that has ambiguous impacts on the reducing poverty.

The establishment of the Tim Nasional Percepatan Penanggulangan Kemiskinan (TNP2K), a national poverty reduction committee under the Vice President, in 2010 signifies a renewed commitment from the national government to coordinate measures to accelerate poverty

reduction. There are also talks about a master plan for the acceleration of poverty reduction to be revealed under the MP3KI (Masterplan for the Acceleration and Expansion of Poverty Reduction in Indonesia - *Masterplan Percepatan dan Perluasan Pengurangan Kemiskinan Indonesia*) which is planned to be integrated in the economic development plans (TNP2K, 2012: 1). Aside from the programmes mentioned above, there are several other anti-poverty programmes, such as the subsidised rice programme known as Raskin, and free healthcare for the poor, called Jamkesmas. The free healthcare for the poor programme is planned to be merged into the Health Insurance Provider in the social security reforms. The subsidised rice programme is reported to have delivered rice to 19 million poor households in 2008 (BULOG, 2010), though it has also struggled with targeting issues, and is reliant on budget allocations (ibid).

It is important to highlight recent developments in the local governments in relation to institutionalising welfare programmes. Since decentralisation, it can be argued that local actors have come to hold a much stronger role in politics and the distribution of resources, wherein several local governments have also taken initiatives to respond to the welfare needs of locals. The programmes vary widely, with provisions ranging from free education and healthcare facilities, to the development of villages. In Sutoro Eko analysis of the rise of welfare policies in local government, several developments are observed (2009). The Jembrana district in Bali is often mentioned as an example of a region that has successfully introduced free education and health services, which have been on offer since 2001. Other districts, such as East Belitung and Minahasa, have adopted similar measures. Purbalingga district has also has developed innovations for poverty eradication, such as the revitalisation of houses for poor families and resource allocation for villages. Several other districts have received much attention, such as Solo, Blitar and Jakarta.

These so called “exemplary districts” are observed to have several similar characteristics that have allowed for a state-centred welfare policy. Politically, local leaders such as I Gde Winesa from Jembrana and Triyono Budi Santoso from Purbalingga have personal characteristics such as being strong, active and responsive, and hence initiated many of these approaches (Eko, 2009: 158). Eko further argues that these leaders have not presented themselves as authoritarian figures who rule over the area single-handedly. Instead, the local leaders, also known as *bupati*, have gained much political capital, through various actors, including political parties, parliament, bureaucracy, cultural leaders, civil society and other

elements of society (Eko, 2009: 160). Such standards for welfare policies are suggested to set a standard in local politics and adding somewhat pressure to instigate welfare initiatives in other districts (ibid: 162).

The discussion on social programmes are not meant to exaggerate the state of development and welfare politics in the local settings. However, the developments are important to take into account as they indicate an important shift in Indonesian politics with regards to welfare provision. In both local and national settings, mass-based welfare policies have been adopted to cater to wider public, such as the poor. Targeting is largely salient. Several of these policies are suggested have to be important not only in terms of mobilising political capital for local leaders.

The overall discussion of social policies shows there has been a marked change in state-based welfare provision from the Suharto period. After 1998, an increasing role of the state with plans in universal healthcare and expansion of social security insurance and pensions. Anti-poverty and education policies is arguably a main welfare policy employed by the current regime. Means-testing social assistance programmes, however, is a salient strategy in addressing social welfare issues both by the central and local government. In some instances, some welfare policies are considered to be used to obtain political support. From a comparative perspective, social expenditures are relatively minimalist in comparison to other Asian countries. Efforts in state welfare provision are also hampered by issues such as weak governance and lack of access to facilities. A change of employment structure has been occurring but the majority of employment continues to be in the informal sector. Thus, protection mechanisms through social security has significantly been lacking for a large bulk of the population.

5. Analysis

The following section presents the analysis in answering the main research questions:

1. **What salient characteristics does the Indonesian welfare regime case display?**
2. **What political economy factors explain these developments?**

5.1 Analysis of Characteristics of the Indonesian Welfare Regime

In the following sections, the overall characteristics of the social policies will be discussed based on those presented in the previous section. The analysis includes characteristics relating to how social policies contribute to the role of the market, state, family and social organisation in welfare provision. Then a discussion will be given on the potential for de-commodification and stratification effects.

5.1.1 Social Rights

One on my sub-question refers to how social rights are institutionalised in the welfare regime. Based on the findings, I argue that the granting of social rights remains relatively limited in Indonesia, though several basic rights are recognised. For example, education is constitutionally recognised, progress has been made and is complemented through initiatives to recommit to free primary education. The findings with respect to social expenditure indicate a strong commitment towards fulfilling educational needs for the public. Another aspect refers to social rights regarding to economic welfare. The introduction of social safety net after the 1998, indicate a shift towards the state's direct involvement in securing a degree of rights for economic welfare.

Social security rights were only explicitly included in the national constitution in 1999, following democratisation (Sirojudin and Midgley, 2011: 126). Hence constitutionally, the right to receive social benefits is universal and is to be extended to all citizens, reminding of the Social Democratic welfare state. The adoption of the NSSS Law and the Social Security Providers Law signifies progress towards the granting of universal rights in terms of social

protection for all Indonesian residents, which also includes foreign residents living in Indonesia for more than six months. Based on the legislation, as discussed earlier, the universal health system aims to provide equity of benefits, which is somewhat reminiscent of social democratic ideals.

There are, however, various paradoxes in terms of how social rights have been granted since 1998. From the discussion on social security development, a significant time gap can be observed between the inclusion of social security rights in the constitution and the current implementation. Developments has come and gone, yet, after more than ten years, progress has been relatively slow to materialise. This indicates how priorities are allocated with respect to particular social rights, such as social security. A citizens' lawsuit was even launched against the government with regards to social security; the outcome found the government to be in breach for not implementing the NSSS Law. This illustrates the strong disconnect between legal frameworks and the implementation of social rights.

In contrast, social assistance has been growing since the financial crisis. Such assistance gives priority to the poor, where needs-testing is the main mechanism in identifying beneficiaries. This underlines the fact that the method used to identify those in need of assistance focuses on certain criteria, which conflicts with the idea of universality with respect to social benefits. From this point of view, the welfare regime grants social rights in a similar way to that of the liberal welfare regime. However, as in the liberal welfare regime, residual allocations can lead to stigmatisation. There are signs that the former healthcare schemes for the poor suffer from issues such as discrimination, where recipients of the programme have even been rejected from hospitals, as reported by the Indonesian Corruption Watch (ICW, 2011).

This arrangement can be partly explained by considering a historical perspective. It can be argued that the institutionalisation of political and civil rights has been at the forefront of the agenda of democratisation in Indonesia since 1998. According to Törnquist, even NGO activists supporting labour groups primarily focused efforts on issues of democracy such as human and organisational rights (2004: 383). In contrast, social rights related to welfare have been less visibly fronted. The developments may also have been strongly be influenced by how civil societies perceive the issue of social policy. According to an interview with a

former social welfare activist²², the issue of social policy has been an unwelcomed agenda for civil societies, who fear that it may encourage the development of stronger state interventions. Having a long history of strong state interventions supported by military presence in Indonesia may have strongly shaped desires to limit the state's power. Instead, social rights have been rather marginalised and seen in context with the right to participate in the economy; hence, they have been somewhat subordinated to the goal of economic development. However, the case is not unique to the East Asian context; Holliday finds similarities of minimalist approach in granting social rights and is often the linked to productive activities (Holliday, 2000: 709-710).

In sum, the granting of social rights for the Indonesian public has been relatively limited and focuses primarily in granting basic needs. Such approach may arguably remind of liberalist values. However, at the same time, with plans for a universalist healthcare system marks a contrasting approach in the Indonesian experience of welfare provision, resembling somewhat of social democratic regime. In addition, lack of saliency of social rights in Indonesia's history may possibly be caused by the lack of civil society activism in pushing it forward as a political agenda.

5.1.2 Role of state and market

A second sub-question I asked refers to what role does the state and market in welfare provision. It can be argued that since 1998, the state has played an increasing role for welfare provision to a wider public. The establishment of the various targeted social programmes as a social safety net supported a growing effort to allocate resources for direct poverty reduction intervention. This is in contrast to the days of Suharto, where means-testing social assistance barely "saw the light of day" (Roesma, 1997 as cited in Hort & Kuhnle, 2000: 171). In terms of social expenditures, there is an increase in the allocated budget per GDP for social programmes, though this remains quite small compared to other Asian countries.

With the social security reform, an increased commitment to enhancing the role of the state in welfare provision can be observed. This role includes not only that of regulator, as in the liberal regime, but also as facility provider and administrator of social insurance. At the same

²² Interviewed on 16 January 2013

time, access to health facilities remains relatively uneven, and there are several inequalities in terms of resources for healthcare. In other words, there is a significant gap in the state capacity with regards to health provision.

Commitments to the expansion of work-related insurance and pensions also indicate that the state will play a strong role in the future. The significance of the role depends, however, on its capacity to encourage participation from the public. As discussed in the findings, pension participation may be voluntary for those in the informal sector, thereby creating a loophole by which to avoid participation. How participation will be enforced is also another question that arises.

Based on the findings, the state's role is most significant in the area of poverty reduction through social assistance, both by national and local governments. As presented earlier, many differing programmes have been employed ranging from subsidised food to community-driven development programmes. Some of the programmes have evolved from the initial Safety Net programmes which were established in the early years after the financial crisis in 1998. Some of the programmes are also supported by international actors who prefer direct intervention, hence uses targeting mechanisms. The targeting approach indicates that allocation of welfare resources by the government is rather residualist. As Titmuss describes it, residualist welfare implies that the role of the state comes in only when other options are exhausted (1974: 30). In addition, debates surround the achievements of such programmes in contributing to the goal of poverty reduction.

The expansion of state-based welfare programmes, however, does not necessarily indicate a crowding out of markets. With an increase in the middle class, there is arguably room to develop welfare facilities that cater to higher-class tastes and preferences. The current reforms, in contrast, seem to focus primarily on widening the availability of minimum standards of health protection to the public. In education, it is also predicted that the private sector will play an increasing role at the secondary level, due to rising demands and national budgeting constraints (Bangay, 2005: 167). With the past lack of public-based pensions available to the wider public, implies that non-state mechanisms are the main means by which to provide care for the elderly.

In sum, there is a marked increase of the role of the state through the expansion of the social security reforms and social assistance. This entails both establishing governing frameworks

and resources for expansion. This increase of welfare state policies may indicate that social policies is possibly heading towards a social democratic regime or a conservatist regime. At the same time, it could be argued that such state expansion may not necessarily reduce the room for private actors in welfare provision.

5.1.3 Role of the family and social organisations

A third sub-question I asked refers to the role of family and social organisation in welfare provision. In practice, I would argue that the family remains the main source of care for individuals. The primary role in childcare and care for the elderly is arguably largely taken up by the family. From the findings, there are very minimum arrangements to assist a mix of family and work life. There is maternity leave, but family and child benefits are non-existent in Indonesia. To some extent, urban living may be changing the trends of childcare, where private facilities are extending services. However, the role of the private sectors remains minimal, and limited to the higher classes.

Cameron and Cobb-Clark finds that most parents over 60 co-reside with their children (2008: 1012), indicating a strong tradition of elderly care by families. The family and close social networks often take up responsibilities to provide security through financial means. When someone falls sick, it is not uncommon for families to collectively gather funding for the individual's health expenses, as indicated earlier in the discussion on health provision. Frankenberg et al. also identified the importance of intergenerational transfers in Indonesian families, and argued that such transfers function as a form of insurance for the family members (2002). Hence, the government's limited role in providing a more universal coverage in the past can possibly be reinforced by strong family traditions.

In addition to the family's role in welfare, social and religious groups have played a significant part in the provision of social welfare throughout Indonesia's history. Though not studied in depth in this study, health and education facilities based on a religious basis continue to be largely apparent nationwide. Among the important activities initiated and managed by social organisations are charity channels, both regular and disaster-based. Charity such as *zakat*²³ may be considered by Muslims as the main channel of redistribution.

²³ Obligatory payment under Islamic Law paid annually as charity for the poor.

In addition, local arrangements such *arisan*²⁴ and *jimpitan* are examples of the many forms of communal or rotational finances existing in Indonesia.

Welfare facilities provided by social organisations in Indonesia, particularly by religious groups, is often linked to gaining political power. In the years of Suharto, social organisations such as *Muhammadiyah* and *Nahdatul Ulama* (NU) were seen as the extension hand of state patronage in terms of disbursing welfare benefits and gaining political support (Hicks, 2011, Porter, 2002). These social organisations, also known as *ormas*, bridged the connection between Islamic political parties and the public by providing them with education and health facilities. In the 1950s and 1960s, Indonesia's politics were often understood as *aliran* politics – a term coined first by Clifford Geertz (1959), in which different religious-based social organisations had their roots in the politicisation of Indonesia (as cited in Aspinall, 2013: 32).

Though *aliran* politics played a lesser role under Suharto, the role of religious-based social organisations in delivering votes through welfare facilities were argued to be strong (Hicks, 2011: 44-47). Both Islamic- and Christian-based organisations filled in the gap relating to state-based social welfare facilities, and at the same time mobilised political support under Suharto. A recent study by Hicks, however, argued that since the transformation into democracy in Indonesia, there has been a marked decline in the ability of social organisations to capitalise on political support via social welfare facilities (2011). If this is the case, such a shift in the effectiveness of social organisations indicates the need for an alternative approach by which to gain more political votes. This weakening of political mobilisation via social organisations can also serve to explain the expansion of mass-based statutory welfare schemes since democratisation.

Overall, the role of the family and social networks remains largely important in welfare provision. In the same time, it is suggested that religious social organisations, an important welfare provider which are argued to have raised political capital for Suharto, is no longer a strong channel to gain political votes since Indonesia became a democracy. Such strong tradition in family and religious groups indicate similar characteristics to a conservative regime.

²⁴ Rotational finance arrangement often for social groups. The group meets regularly to pool in an amount of money and one individual is then selected to use the money gathered.

5.1.4 De-commodification

A fourth aspect that I questioned was how social policies protect and emancipate citizens from becoming victims of the market. The ability of the Indonesian regime to achieve de-commodification, or rather the amount of security in a capitalist context, arguably remains quite minimal. From a comparative perspective, standards of living in Indonesia are considered to be in middle development category, with the country positioned at number 121 out of 198 countries in the Human Development Indicator (UNDP, 2013: 17). This indicates the capacity to deliver favourably welfare outcomes still lacks. In addition, a majority of employment remains within the informal sector where formal protection is missing. Esping-Andersen suggested that de-commodification is measured in terms of the eligibility of rules and restrictions to entitlements, which focuses primarily on pensions, sickness, and unemployment benefit (Esping-Andersen, 1990: 47). However, as the Indonesian social security system is still in its early phases, hence such mechanisms are still largely missing for the wider public.

Based on the findings, it can be seen that the state policies can play a role in terms of aiding those in need through the various targeted social assistance programmes. However, the programmes are rather fragmented and are not necessarily synchronised with each other, as they are administered by different ministries. Programmes vary widely, thus the ability of such programmes to emancipate citizens are difficult to measure. However, based on the characters of social assistance programme, means-testing is primary method used. Targeting can be argued to be a relatively a liberalist approach, and often posited as the main social policy by which to achieve a better standard of living in Indonesia. In other words, in social assistance programmes, one must qualify as a low-income family or individual in order to receive assistance, indicating conditionality in terms of entitlements. This in itself may be problematic, since indicators of poverty may vary widely and programmes often suffer from targeting issues. In addition, some benefits within these social assistance programmes are modest, confirming a relatively minimalist approach.

With means-testing in social programmes, conditionality implies a discrimination on benefits entitlements depending on the ability to perform in the market. Hence, access to social benefits is not an absolute social right which is separate to the market. Such arrangements

may resemble arguments of market citizenship which is linked to social policy moving “from a rights-based to a contractual version of welfare that makes social policy claims conditional on the performance of specified obligations or duties” (Jayasuriya, 2006: 16-17). When conditionality is subject to need and provides minimum benefits, it is assumed that the arrangements produce the least de-commodifying outcomes, which can be identified with Esping-Andersen’s (1990) definition of a liberal arrangement.

Recent developments, however, show that there is recognition of the need for universal coverage, in particular for health provision. Universal coverage is a promising inroad to protection from various health risks in terms of health provision. As discussed earlier, there will be a basic floor for medical benefits, which may include several catastrophic sicknesses. In addition, in the initial phase of the implementation, there is a possibility of class differentiation in relation to accommodating non-contributory vs. paying participants (Mundiharno and Thabrany, 2012 : 82). In the more recent developments, according to agreements with the Ministry of Health and the Social Security Council (DJSN), and as stated in the recent President Law on Health Insurance, issued in 18 January 2013, non-contributory participants will have the right to access inpatient facilities of Class 3²⁵ (ibid) or higher, according to the amount of contribution (President of the Republic of Indonesia, 2013). Civil servants and military are entitled Class 2 or higher. Government officials are entitled to Class 1 inpatient accommodation. This indicates a type of conditionality based on financial contribution or work status in relation to particular entitlements – in this case hospital accommodation. Such hierarchical arrangements are arguably similar to the social insurance arrangements of the conservative welfare regime.

Unemployment insurance is not yet available in the Indonesian context, and failed to gain traction in the social security reform. Nevertheless, there are plans in place to expand labour insurance such as life benefits and work-related injury benefits, which can also improve protection for employees within their working environments. The establishment of a pension system also indicates a move towards protecting citizens during later stages of life. The supportive law implemented to protect labour rights and increase labour wages marks progress with respect to developing a more inclusive social policy. However, compliance to labour protection mechanisms will depend greatly on the capacity of the state to enforce it. In

²⁵ Class 3 inpatient facility usually means the lowest class of facility where there can be 3-7 beds in one room. Class 2 usually has 2-3 beds in one room. Class 1 usually has only 1 bed in one room.

sum, the complexities of the various programmes and legal frameworks available have arguably leads to the Indonesian welfare regime having a combination of characteristics in terms of potential de-commodifying outcomes, both liberalist and conservatist.

5.1.5 Stratification

A fifth sub-question refers to whether the policies contribute to a system of stratification. It can be argued that the current welfare regime continues to stratify the classes, though the reforms are moving towards more inclusive welfare arrangements for the population as a whole. Economic inequality continues to widen the gap between the rich and the poor in Indonesia, with limited deliberate efforts to address social structures. The gini coefficient, a common measure for inequality, has increased from 0.37–0.41 in 2009–2011, which is estimated to be amongst the highest in Indonesian history (TNP2K, 2013: 2). In addition, with a strong tradition of reliance on families and social networks as welfare providers, welfare provision through non-state mechanisms may be strongly reinforcing the stratification of society.

The Indonesian national policies indicate that the current welfare regime is less redistributive, as taxation capacity from the population is rather limited compared to other developed economies. However, with the implementation of the social security reforms, earmarked taxation will be established as a main source of funding for social insurance, while under the social insurance arrangement the pooling of different contributions will arguably lead to a type of redistribution, between the sick and healthy. This form of social protection contrasts Singapore's compulsory individual savings, which entails no redistributive effects between members. The redistribution through social insurance is however not as extensive in its stratification effects in comparison to measures for wage compression.

In terms of financing the welfare regime, the social security reforms are argued to have been primarily modelled after the Bismarckian model ²⁶, which influenced the so-called conservative model. This is on the basis that the chosen system uses a contributory model, instead of a tax-based social security system. The social insurance model will also be complemented by direct contributions from the government to cover low-income groups. In

²⁶ Interview with Official from National Development Planning Agency on 21 December 2012.

the healthcare reform, medical treatment will be flat across all participants – both non-contributory and contributory – though a stratification of classes can be observed in relation to the accommodation provided.

Debates arising from the merging of previous social security agencies indicate that past policies have also largely influenced the outcome of the choice of social security system. The objections by the government against merging past social security agencies were quite salient. This demonstrates the struggle to preserve not only past institutions, but also possibly past privileges. In particular, the distant plans to merge the pension funds for civil servants can indicate a stalling mechanism against a universalised people's pension. Such efforts to preserve privileges can be argued to resemble the conservative arrangement. The arguably strong family traditions, indicates also a more conservatist regime.

Despite the economic growth experienced in Indonesia of late, there is increasing evidence that economic growth has not been matched by enough growth in formal employment. The decline of employment from labour-intensive sectors, indicates the difficulties faced in formal employment. The continued dominance of informal employment, arguably displays strong tendency on self-reliance and market mechanism. In addition, unemployment benefits failed to be included in the welfare reforms. The Indonesian experience, however, is unfortunately not a unique case in comparison to other growing economies. In Brazil, industrialisation has not been followed by extensive job creation in the formal sector either (UNRISD, 2010-43) and assistance to the poor is relatively modest. Together, these developments can arguably create a dualism in the economy, further exacerbating inequalities, reminding of features of a liberal regime.

In sum, as inequality in Indonesia is significantly increasing, social structures seems to be unaffected by state interventions. In addition, preservation of hierarchies is reflected in the policy choices of social security reforms. However, there seems to be a much stronger recognition of a need for improved access towards education and health, and the need for direct intervention to help the poor to achieve a minimum standard of living. Recent attention to minimum wage is also another development in addressing inequality. Such recognition contrasts to Suharto's development policies, which relied heavily on economic growth as a welfare machine for the wider population.

From the discussions above, several salient characteristics can be observed in relation to the Indonesian welfare regime since 1998. From the analysis, the Indonesian welfare regime bores arguably a hybrid of characteristics, mostly notably the conservatist and liberalist regime. There are several arguments for this. Firstly, several characteristics are reminiscent of the social democratic regime, namely the establishment of a universal health insurance system and an increase in the state's role in welfare provision. This may indicate that granting of a universal social right to social security has been of particular importance in the welfare regime. However, a closer look at the recent developments relating to social policies since 1998 reveals a dominance of means-tested social assistance for the poor, similar to the liberal welfare regime. De-commodification potentials remain hampered by difficulties in producing formal employment and modest benefits in social programmes, though there have been improvements towards building a better social security system. Stratification driven by socio-economic factors is salient, and is rather addressed by programmes for poor relief that are similar to those seen within the liberal welfare regime. Such approach may further exacerbate inequalities due stigmatisation and discrimination in social programmes of the poor. In the same time, characteristics of a conservatist regime are also visible. It can be argued that non-state mechanisms, primarily family and social networks, remain an important source of welfare provision and coping mechanisms, though this may not necessarily be enough to protect against life risks. Such reliance on family traditions resembles characteristics of a more conservative arrangement. Indications of stratification in terms of hospital classes and the segregation of civil servant pensions in the Indonesian experience also resemble the conservative arrangement. In addition, the social health insurance system is modelled after the Bismarckian system, which influenced the conservatist regime, as funding will be based on a contributonal insurance system rather than a tax-based system.

5.2 Analysis on the Rise of the Indonesian Welfare State

The second research question I posed in this thesis refers to what political economy factors explain the developments in Indonesia's social policies. I have attempted to answer this by first looking at the historical milestones that may have contributed to how welfare policies were established. As discussed, under the Suharto period, social security programmes were narrow and welfare distribution relied on a state-based patronage. In the same time, the labour movement was relatively weak. The extension of welfare policies to a wider public in

Indonesia can be seen from the 1998 financial crisis onwards. With concerns regarding social impacts on the poor, Indonesia embarked on new style of welfare distribution, namely by adopting targeted anti-poverty policies which were supported by international actors. These initial policies, however, were arguably meant to temporarily counter a backlash from the economic crisis and possibly to control political stability. The concept of universal social protection also arose at the same time, though momentums came and went under different presidencies. With the backdrop of the recent financial crisis, actors within the government recognized for the need to protect the people from the risks of economic crisis through a type of social protection, but in the same time as a mechanism to mobilize funds for economic growth and to be independent from international loans. A particular milestone was seen under Megawati's presidency, when the bill for social security reform was finally passed in 2004.

In this thesis, I have chosen to highlight several aspects within the reform to explain the expansion of state-based welfare schemes. The first question I asked refers to the influence of labour unions and class-political coalitions on welfare policies. Prior to 2010, the developments to reform the social security systems can be said to have received relatively less public attention, including from trade unions. The issue of social security, since the National Social Security System issued in 2004 to the follow-up law on Social Security Providers (BPJS) Law in 2011, as to my knowledge, also received relatively little attention by politicians. Only in recent years have trade unions, supported by several politicians in parliament and academics, been successful in reviving the reforms by attracting public attention. Hence, I would argue that the cooperation between trade unionists, some political elites and supporting actors such as students and academics, have played an important role in pushing for the more recent expansion of commitments of the Social Security programmes.

The recent increase of trade union militancy has been significantly marked, and to some extent implies the ability of organised interest to demand from the economic pie. Large demonstrations have been starkly visible in Jakarta and have even achieved to block main toll roads (Liu, 2012), attracting much media attention. Several outcomes favourable for workers interest seem to have materialized, such as the increase of minimum wage. There seems to also be an effort to unify worker's interest through the establishment of *Majelis Pekerja Buruh Indonesia (MPBI)*, collaboration between three major confederations in May 2012. This is significantly different to Suharto's era where the worker unions were quite weak, repressed and fragmented. And even in the earlier years after democratisation, it was

observed that the worker's did not necessarily see the "relation between struggles in the workplace and those over politics" (Törnquist, 2004: 392) . These recent developments of such visible labour activism, may possibly be an extension Ford's prediction of the re-politicisation of mainstream labour unions (2009: 179-180). The re-politicisation does not necessarily suggest an approach in re-establishing a labour party, which has failed in the past (ibid), but I interpret rather to build a stronger platform for workers as an important political actor by advocating for a wider and inclusive welfare scheme.

A central theme in understanding welfare regimes in *Three Worlds of Welfare Capitalism* (1990) refers to class-political coalition role in influencing the type of welfare arrangement. In the Indonesian case study, there are some indications of what may resemble such coalition. The social welfare coalitions of trade unions with other facets of civil society through KAJIS, including farmers, fishermen and university students, can arguably also be understood as a contributing element to the revival of the welfare reforms. These coalitions created a much broader basis of support by which to push forward the implementation of the welfare reforms. The ability of the trade unions to mobilise support has been quite extraordinary. As observed by an informant from civil society (08 January 2013), the trade unions gathered so much support that other civil society organisations would hardly be able to achieve. As an extra-parliamentary force, the rise of labour movements was influential in pressuring welfare expansion. With the coalition, trade unions demanded welfare-enhancing policies that catered not only to the interests of workers, but also to a much wider public. This represents a relatively new strategy in terms of how workers are approaching welfare politics, which goes beyond work-based interests.

At the same time, the role of the coalition must not be exaggerated. The coalition continues to be dominated by the trade unions, and little is known about how representative and organised the other civil society groups are. In addition, the depth and sustainability of the coalition may not be as substantial as that of social democrats in forming labour and farmer coalition. Instead, the relationships between the political elites and trade unions, I argue, have been more essential in the welfare reforms, with cooperation from key politicians in parliament allowing for the adoption of the bill.

In *The Three Worlds of Welfare Capitalism* by Esping-Andersen (1990), it was argued that the incorporation of the middle-class into the welfare state was an important factor in

building political consolidation for the welfare states. In the Indonesian case, it is recognised that participation must be broad for social insurance to succeed, meaning that social insurance will also need participation from the increasing middle class. Hence, participation in the planned social insurance scheme is to be compulsory for all Indonesian residents. Expansions in social security provision imply the inclusion of those previously uncovered, including those in the informal sector and middle class. Such inclusions may arguably remind of corporatist measure of the conservative regime. However, when the overall social security reforms are observed, the interests of the poor seem to be the central concern. There is also ambiguity in terms of how benefits will cater to the tastes of the growing middle class, though there is strong recognition of the need to improve the quality of health facilities, and to differentiate hospital classes.

An interesting study by Kremer (2012) on the middle class role and the challenges of social policies in Indonesia highlights several important findings. Though her samples may arguably be less representative, middle class attitudes and behaviours on social welfare provision were observed. According to Kremer, there is a paradox in the Indonesian welfare policies, in which the majority of policies cater to the poor, while higher-class healthcare and educational facilities are left to market mechanisms and cater to the rich, resulting in the middle class being left with no visible welfare mechanism (Kremer, 2012: 430). At the same time, Kremer's study observed a marked scepticism in the middle's class attitudes to the state's ability to provide schools and healthcare facilities. Thus, the active incorporation of the middle class into the planned state-based welfare arrangements will arguably rely in building trust and confidence in the state's capacity.

It is also noted that influential actors such as Jusuf Kalla, who represents a more capitalist class, have been approached to politically support the social welfare reform bill. Kalla has been relatively supportive of the welfare reforms, but has also opposed the mergers of previous welfare institutions (Gatra, 2011, Suhartono, 2011). Aburizal Bakrie,²⁷ according to media reports, also urged his party Golkar to push forward in resolving the debate on the social security reform bill (Investor Daily, 2011a). Employers have been also relatively supportive of the welfare reforms, though they initially objected. Based on the interview with

²⁷ Bakrie is Golkar's presidential candidate for the 2014 elections.

an Apindo representative²⁸, employers do not seem to worry about businesses losing out with the establishment of state-based social security system. This may possibly be influenced by the sheer business opportunities universal healthcare can bring, as there are many gaps to fill. According to an analysis by the Oxford Business Group, a business consulting company, with the expansion of healthcare coverage, the private sector, such as healthcare providers and pharmaceutical companies, will stand to gain not only in terms of healthcare providers (2012). There are also indications of the private sector anticipating a marked increase in the size of healthcare services due to plans for universal expansions (Bellman, 2012, Chiong, 2012)

A second question I asked refers to how welfare policies are used for political mobilisation. As suggested by Haggard and Kaufman (2008), political realignments can be argued to have played an important role in Indonesian state-welfare expansions. The transition into a democracy with competitive elections of Indonesia can be argued to have opened a repressed lid for Indonesia's political channels, and forced a reconfiguration of the political scene. As a consequence, tensions over political power were apparent. The earlier years of democratisation was highly troubled with political instability, with capitalists facing banking restructuring (Robison and Hadiz, 2004: 190-191) and strong demands to decentralise the state apparatus. Hadiz and Robison characterise the politics after Suharto as largely being predatory in nature - where new business and political actors seek to replace the old (2004: 223). Faced with a real danger of political instability, fears of severe social impacts, and an already collapsed economy, the government had to arguably respond to a much wider constituency (Pritchett et al., 2002, Sumarto et al., 2004), not the least to the poor. This resulted in initial targeted social programmes being established. Benefits, I argue, had to be direct and transactional, thus adopting a less comprehensive approach of poor relief such as subsidised food and cash transfer. These programmes were also supported by international actors, where some can be argued to possess liberalist interest. Demands to reduce the power of the military were highly salient in the early years of democratisation and lead to a separation of military from politics. With the introduction of decentralisation and the relative weakening of military power in the centralist regime (Mietzner, 2006), the political mobilisation mechanisms in the past were no longer sufficient. In other words, it was no longer sufficient to rely exclusively from the military, civil services and other corporatist

²⁸ Interviewed on 7 January 2013.

branches where welfare benefits were primarily allocated to under Suharto (Ramesh and Asher, 2000: 150), for political support. Alternative welfare mechanisms were arguably needed to round support, particularly when electoral weight becomes an importance.

Indonesia's political history is arguably characterised by strong patron-client relations, which have influenced the narrow welfare arrangements in the past. But how can such a particularistic style of politics explain recent plans to expand state welfare schemes? One could interpret the developments as a sign that the social organisations are weakening in terms of their ability to provide welfare; however, there is little evidence to back this up. Instead, when put in the political context, as argued by Hicks (2008), socio-religious-based organisations such as NU and *Muhammadiyah* are considered to be a less effective machines by which to gain political support through the provision of their welfare facilities. In other words, welfare strategies can be argued to serve as a tool for achieving political mobilisation. With respect to democratisation in Indonesia, as Ghazali put it “the *kiai* [local Islamic leader] is now only one direction of the compass for reading a political map” (2009 as cited in Hicks, 2011: 52). Thus, the expansion of statutory welfare schemes can arguably be linked to the weakening of socio-religious organisation importance as a political machine in Indonesian politics. Such changes have led to the need to expand welfare coverage in order to maintain politicians' popularity and legitimacy.

There seems to have also been a change in the sense that local politicians have started to use welfare-related policies, such as healthcare for the poor in Jakarta and other provinces, to increase political support. For example, the newly elected governor of Jakarta, Joko Widodo, appears to be quite responsive to concerns regarding welfare projected by trade unions. Responses to welfare issues have also been increasing in other parts of Indonesia; for example, the governor elections in West Java in early 2013 were also filled with promises regarding welfare programmes such as *Kartu Tribakti*, which will provide free education and access to healthcare services. In implementing the social security reforms, though Yudhoyono's government was originally reluctant, renewed progress can be seen in the expansion of welfare policies. As we can see, the central government emphasis on education and targeted social assistance, as their main social policies. And in some instances, such policies are argued to have increased political support.

This trend of widening the coverage of state programmes in order to achieve popularity and legitimacy is arguably not unique. Several developing countries seem to be moving towards post-clientelism practices – in which “policies are set up to protect from people who seek to siphon off resources for use as patronage” (Manor, 2013: 243). Manor argues that the changes occur as senior politicians have come to understand that patronage distribution is no longer enough to enhance political support. Indeed, the clientelist practice itself brings about problems, as patronage distribution is sometimes misallocated and can lead to fiscal difficulties (*ibid*). At the same time, when faced with increasing demands from organised interests – in this case trade unions – the patronage of welfare benefits may not be sufficient. It must be borne in mind that this interpretation does not imply the end of patron-client relations within Indonesian politics, but can be seen as a political strategy that complements patron-clientelist modes of political mobilisation.

A final question I asked was how development strategies and past welfare legacies constrained the choice of welfare arrangements. In the Indonesian case, past welfare legacies have had a great influence on the politics of social security reform. The historical choices of a residual tax system, accompanied by a weak taxing capacity, have also limited the choice to a non-tax-based system. Hence, the choice of contributory social insurance in Indonesia, modelled after the Bismarckian system, came to be the most viable choice for the Indonesian experience. In addition, the granting of social rights in Indonesia has arguably not received equal importance such as political rights. Hence, the Indonesian experience resembles the East Asian welfare states where the Bismarckian concept is quite visible (Kwon, 2005: 481) .

Several interest groups and administrative tools have also proven to constrain the extent of the social security reforms. Wisnu argues that the struggle for political control, in particular, has complicated social security reforms (2012: 114). This study finds similar findings, where the difficulties relating to institutional change have been a main argument used against social security reforms. Previous welfare institutions strongly objected to the merging of their institutions into one. And as a result succeeded in stopping this from happening, with civil servants and armed-forces pensions remaining separate to the planned workers pension fund, though there are plans that these will be merged in the future. Even after the adoption of the reform bill, signs of resistance continue to be visible. There have also been objections to the health reforms, claiming that the existing health system targeted towards the poor to be adequate.

Fiscal considerations have also been a constraining factor in welfare expansions. The implementation of the Social Security Providers Law faced difficulties in determining the amount of premium that the state will contribute for the poor. Discussions on allocating funds to the poor have been difficult, and when the Ministry of Finance finally identified an amount in late January 2013, many parties felt the sum was far from optimal. In addition, with universal coverage of social insurance, employers who has paid for workers premium in the past, showed also efforts to block reallocation of worker's insurance fund to be utilised for the poor. But at the end, the government did in fact agree to increase funds for the poor's premium, increasing their social expenditure commitment. These developments were arguably also supported by conducive economic development, where the economy has been growing and public debt decreasing (OECD, 2012: 16), indicating possibility of more fiscal space. Had the economy been in worse shape, expansions to the welfare schemes would arguably be more difficult as state-based welfare expansions will need to be accompanied by increased government spending. This is not to undermine the importance of political will and suggest the absolutism of the economic circumstances towards welfare expansion, but rather to highlight the economic circumstances that have allowed for such expansions.

The social security expansions run in parallel with development strategies that tend to focus much more on targeted social assistance as a means for poverty eradication. Thus, current social security expansions I argue receive a less priority in the government's agenda compared to targeted social assistance as a development strategy, which has taken root for a much longer period of time. Subsidies in oil pricing continues to be also a major welfare strategy by the government, though there have been significant efforts to reduce the subsidies. In addition, slowing industrial and agricultural employment is also affecting the capacity to employ workers. From social security reforms, unemployment insurance has not been taken up as a priority strategy.

In sum, there has been a notable increase in mass-based welfare policies in recent years, driven by the state, in contrast to the Suharto period. With the backdrop of the financial crisis, the government established the earlier responses through social safety net programmes, and is suggested to respond to dangers of political stability and negative social impacts. Over the years, the increased development of a statutory welfare scheme by both the central and local governments indicates a change in how welfare issues have come to be seen in Indonesian politics and to some instances as a tool for political mobilisation. The study also identified

developments of a new momentum of trade unions in recent years with regards to attention to more inclusive welfare issues. The labour movement, in collaboration with several political elites, has also recently contributed towards pushing forward universal healthcare insurance, though ideas have been around since the early years of democratisation. In the same time, struggles to maintain previous institutions and preservation of interests have also constrained the recent welfare reforms. Also, a focus on targeted social assistance as remains a primary development strategy in addressing welfare issues in Indonesia.

6. Conclusion

This study explores the Indonesian welfare regime and is presented as a case study to understand welfare state expansions in developing countries. The study attempted to characterise the salient elements of the welfare regime and understand the enabling factors in shaping it, in light of welfare state studies conducted by Esping-Andersen (1990) and Haggard and Kaufmann (2008).

Based on the empirical findings, the Indonesian case does not arguably subscribe to one typical welfare state as described by Esping-Andersen, nor was it expected to do so as many welfare states often have a combination of strategies. The Indonesian welfare regime can rather be said to display a hybrid of characteristics. The most visible characteristics within the Indonesian welfare regime, I argue, feature several similarities to a conservative and liberalist welfare regime. Particularly after democratisation, Indonesia put emphasis on poor relief by institutionalising means-tested social assistance programmes, signifying tendencies towards a liberal type of welfare. These social assistance programmes continue to exist today. However, recent health and social security plans have laid down the foundation towards a new type of welfare distribution in Indonesia.

The principles of universality and equity guiding Indonesia health reform are somewhat reminiscent of the social democratic values characterising the Nordic welfare models. Recent plans for expanded social schemes do translate to a bigger role of the state in welfare provision, but market-based providers may not necessarily be crowded out as there is a large gap to fill in terms of welfare facilities. However, looking closer into the latest developments, the motivations for expanding welfare programmes in Indonesia are arguably relating to meeting individuals' minimum welfare standards based on the ability to perform in the market, as indicated by means-testing, rather than as an absolute social right that is separate to the market. In addition, there seem to be mixed motivations underlying the development of the health and social security reform. Among them is an emphasis on the need to build a national social security system as a means by which to compile national funds and reduce dependency on international loans.

The planned health insurance system in Indonesia is instead based on a Bismarckian principle as the chosen system of social insurance funding is driven by individual contributions – a system that influenced the conservative regime. The segregation of hospital upper classes cater to civil servants and higher paying contributors indicates stratification embedded in the welfare reform plans. In addition, the continued strong role of the family also points to characteristics of a conservative welfare regime. The preservation of past, segregated welfare legacies continues to persist, and this has proved to be a constraint in healthcare and social security reforms. However, planned expansions are made to include social security benefits for those previously uncovered, such as workers in the informal sector, and the elderly. Expansion plans will also include provision to the rising middle class, but future developments will show how the government and other actors can woo them in. These inclusions, may possibly remind of the corporatist nature of the conservative regime.

It is important to highlight that recent developments in social security and health do not necessarily reflect the bigger picture with respect to state-based welfare provision. Instead, targeted social assistance continues to be a main welfare measure to strengthen social mobilisation and reduce inequality in Indonesia, signifying a rather liberal welfare approach. In social assistance, distribution through cash transfers and community-based development schemes dominate strategies to reduce poverty. This emphasis on targeted social assistance is also similar to the salient characteristics of the Latin American samples studied in Haggard and Kaufmann (2008). In education, efforts in strengthening access to primary education and re-commitments for free primary education seem to be another priority measure taken by the government. Such emphasis on education is similar to characteristics of Asian welfare regimes.

Efforts to de-commodify labour have shown some positive developments, such as the labour law stipulating increased severance pay and plans for the expansion of labour insurance. Indonesia has experienced much economic growth, however, there is growing evidence that this has not been matched by enough growth in formal employment and continued dominance of informal employment. Unemployment insurance remains non-existent. This implies the difficulties faced in terms of employment strategies in the Indonesian in expanding welfare state provision, indicating employment is rendered much to self-reliance and market mechanisms. Such developments can arguably create a dualism in the economy, thereby further exacerbating inequalities and enhancing stratification, indicating somewhat a liberalist

welfare regime. Recent efforts by local governments to increase minimum wage for workers represents a positive move towards reducing wage inequality, though the actual implementation of the law will be a development to follow.

In the same time, the provision of poor relief still remains a salient strategy in state welfare provision since the earlier years of democratisation, and is a more deeply rooted state measure, indicating a dominance of liberalist approach. In addition, there is also a growing role for market mechanisms in terms of catering to the welfare of the higher income class. Efforts to redistribute income remain minimal when tax capacity is low. A degree of redistribution between the sick and the healthy may be seen in the social insurance arrangement. However, this does not necessarily effect structural change as extensively as initiatives focusing on income distribution. Such developments are accompanied by paradoxes within the development strategies and outcomes. The different policies adopted are far from optimised, as there are indications of weak governance and an uneven picture of development between provinces.

Despite the paradoxes of welfare strategies in Indonesia, this study finds an increase of the state's role and marked attention towards mass-based welfare within politics. Why has there been an expansions in state-based welfare provision in Indonesia?

Firstly, the reconfiguration of the political scene in Indonesia due to democratisation, can be argued to be an important factor in welfare expansion. In the early years of democratisation, demands to decentralise the state apparatus and strip the political power of the military were highly salient. With the fall of Suharto, there were also dangers of political instability as new political actors and business interests seek to replace the old (Hadiz and Robison, 2004: 32). Faced with a collapsed economy and fears of a social backlash, the government had to arguably respond to a bigger population such as the poor (Pritchett et al., 2002, Sumarto et al., 2004). For this reason, the government, supported by international actors, established earlier state-based social safety nets. In the same time, the central government lost much of its power with the introduction of decentralisation and the military too became relatively weaker. This may perhaps indicate that it was no longer sufficient to depend on past channels of political support through civil services, military and other branches under state-corporatism which received the most social security benefits under the Suharto period. Thus, alternative mechanisms to gain political support via welfare distribution were needed,

especially with the introduction of competitive elections which relies on political votes. Around the same time, ideas to establish a comprehensive social security were started and the NSSF law finally materialised in 2004.

Secondly, with democratisation, as in other countries, interest groups in Indonesia have the possibility to demand more from the economic pie. This was, however, not a straight forward process. During the earlier democratic years, it can be argued that civil society in Indonesia efforts focused mostly at addressing political and civil rights. At the same time, it can be said that the labour movement focused primarily with work-based interests. Horizontal conflicts were highly prevalent within the labour movement. There were efforts to politicise the labour unions, by establishing a labour party but largely failed to gain enough support. But as the years passed, there were indications of the re-politicisation of the labour movement which demanded expansions of social rights such social security. And in the more recent years, the labour movement has started to gain significant momentums in staging large demonstrations. A new strategy involving a social welfare coalition with non-labour organisations was established in 2010, signifying a wider political strategy by the labour movement.

Thirdly, attention towards mass-based welfare has arguably also been increasing in the national and local political arenas. Various 'exemplary districts' have started to also provide direct assistance to the poor. Welfare programmes are also being used for electoral campaigns. Hence, indicating how welfare issues are starting to become a politicised issue in Indonesian politics. In the same time, there are suggestions where religious social organisations, which once were an important channel for political mobilisation under Suharto, have become less effective to round support. With increased labour militancy, together with active political elites in the parliament and supporting actors, the social security reforms were revitalised and somewhat succeeded in reconfirming commitments for expansion of social security arrangements. In the same time, previous welfare institutions and possibly some privileges remain relatively attached as before.

In sum, the change in the political structure since democratisation has somewhat affected the how welfare is being addressed. There are indications that mass-based welfare politics, particularly for the poor, is gaining a political importance. This is not to suggest that clientelistic politics are over, but rather is complemented with a wider reaching welfare distribution policy. Nor am I suggesting the sustainability of such approach to address

poverty. However, from this case study, there is a marked attention towards issues of welfare by political elites, ranging from poor relief to establishing a free education system. This suggests how state-patronage in the past may no longer be sufficient to mobilise support. Also in the Indonesian experience, final efforts towards expansion of a more inclusive social security system were largely due to pressure from political elites, labour unions, and several supporting actors.

There is room for improvement in studying the Indonesian welfare regime. Further studies can explore how welfare policies in Indonesia adapt to the undergoing a shift in the employment structure away from the agricultural sector. The actual implementation of the health and social security reforms will be an interesting development to follow, and further studies could consider the various aspects of the reform. The process of scaling up state-based health insurance is a challenging task, and the institutional reform and politics related to health financing could also be studied in depth. The role of international donors, particularly international financial institutions, in influencing the social security reforms is another potential area of study. As elections are coming in 2014, it would also be interesting to analyse how welfare programmes or agendas are utilised in political party campaigns. As income maintenance is an important aspect in welfare state, the politics behind wage settings could also be an interesting topic for further analysis.

Reflecting on the Indonesian experience, social welfare arrangements are at an important crossroads. From the findings of this research, the momentums that have been built in relation to the reforms, and the progress that has occurred have been presented. There are also indications of changes in social policies in relation to political mobilisation. In the same time, how effective such efforts will be in ensuring a better standard of living will be an open question. Faced with high inequality, corruption, missing infrastructure and lack of state capacity, the issue of welfare in Indonesia remains quite elusive. A stronger bridge would need to be built in connecting social security and economic growth in Indonesia, to gain better support not only by the political actors but also from a wider public. If not, traction for a more inclusive social development may easily be lost.

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Appendix

List of Informants

1. Prof. Dr Purwo Santoso MA, PhD
Department of Politics and Government
Faculty of Social and Political Science
Universitas Gadjah Mada
Interviewed 19 December 2012
2. Hasrul Hanif
Lecturer, Department of Politics and Government
Faculty of Social and Political Sciences
Universitas Gadjah Mada
Interviewed 19 December 2012
3. Dr J. Nicolaas Warouw
Assistant Professor
Department of Anthropology
Universitas Gadjah Mada
Interviewed 19 December 2012
4. Bahrudin
Department of Social Development and Welfare
Faculty of Social and Political Sciences
Universitas Gadjah Mada
Interviewed 19 December 2012
5. Dinna Wisnu, PhD
Political Scientist
Analyst in international relations, political economy of development and social welfare
Paramadina University
Interviewed 3 January 2013
6. Trade Union Official
Indonesian Trade Union Confederation (KSPI)
KAJS – Social Security Coalition
Interviewed 27 December 2012
7. Trade Union Official
Organisasi Pekerja Seluruh Indonesia (OPSI) Trade Union
KAJS – Social Security Coalition
Interviewed 26 December 2012
8. Member of Parliament (DPR)
PDI-P Politician, Commission IX
Special Committee for National Social Security System Bill (RUU SJSN)
Special Committee for Social Security Providers Bill (RUU BPJS)
Interviewed 14 January 2013

9. Prof. Dr Hasbullah Thabrany, MPH, Dr.PH.
Center for Health Economics and Policy
University of Indonesia
Interviewed on 11 January 2013

10. Official
Planning Directorate for Protection and People's Welfare
Bappenas – National Development Planning Agency
Interviewed 21 December 2012

11. Official
DJSN – Social Security National Council
Employers (Apindo) Representation
Interviewed 7 January 2013

12. A. A. Oka Mahendra
Consultant for Social Security and Public Health
PT MARTABAT Prima Konsultindo
Interviewed 9 January 2013

13. Programme Officer
ILO Jakarta
Interviewed 17 December 2012

14. Staff member
Wage and Social Security Directorate
Industrial Relations and Social Security General Directorate
Ministry of Manpower and Transmigration
Interviewed 10 January 2013

15. Staff member
TNP2K (National Team for Poverty Eradication Acceleration)
Interviewed 16 January 2013

16. Ah Maftuchan
Program Officer of the Role of the State
Perkumpulan Prakarsa – Jakarta
Interviewed 8 January 2013

17. Politician
Golkar Party
Former welfare activist
Interviewed 16 January 2013

18. Official
Office of Republic of Indonesia President's Special Envoy
for Millennium Development Goals
Interviewed 16 December 2012